

The Effect of Accounting Information and Organizational Culture on Decision Making

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Abstract

This study examines the educational foundation's organizational decision making model that is the influence of accounting information and organizational culture on decision making. This research is a quantitative study with descriptive and inferential analysis. The sample of this study was 72 Catholic education foundations in Indonesia, which were tested by Partial Least Square (PLS) based analysis and data processing methods with the Smart PLS 3.0 program. This study obtains some empirical evidence, namely, first, accounting information significantly influences decision making. These results are consistent with the theory that the main purpose of the foundation's financial statements is to provide relevant information to meet the foundation's internal and external interests to help decision makers make the best decisions for the organization. Second, organizational culture significantly influences decision making. This result is in line with organizational culture theory which states that organizational culture is a value that is used as a reference in all decisions and actions of members of the organization and that reflects the goals, identity, and standard of evaluation of everything in the organization. So it was concluded that the best decision was a decision made based on accounting information and organizational culture at a Catholic education foundation in Indonesia.

Keywords

accounting information;
organizational culture; decision



I. Introduction

Decision making can be interpreted as a systematic approach to the nature of the alternative faced and take action which according to the calculation is the most appropriate action (Hasan, 2002). This decision making is a very important first step and even occupies a key position in achieving organizational performance (Wu et al., 2017). Various conditions and background factors can influence decision making (Ceschi et al., 2017). So that aspects of decision making namely identification of alternatives, evaluation alternatives and selection of alternatives need attention (Bedeian and Glueck, 1983: 255).

The inability of organizations to make the right decisions at the right time resulted in several organizations finally declaring bankruptcy and closing down. This is increasingly prevalent in the current 4.0 industrial revolution era. Some examples of large companies that finally closed are 7-Eleven (Sevel), PT Ramayana Lestari Sentosa Tbk (Ramayana), PT Matahari Department Store Tbk and Lotus. The Coordinating Minister for the Economy

Darmin Nasution (2019) said the bankruptcy of a number of retail stores was caused by an ever-changing shopping pattern that was not matched by the decision to conduct business innovation by the company.

Organizational culture is a set of assumptions or systems of beliefs, values, and norms developed in organizations that serve as guidelines for behavior for its members to overcome the problem of external and internal adaptation. Organizational culture is a pattern of beliefs and organizational values that are believed and imbued by all members in doing work as an appropriate way to understand, think, and feel about related problems, so that it will become a value or rule within the organization. This will encourage members of the organization to work harder and create work motivation. (Mangkunegara in Arif, 2019)

Likewise, colleges and schools managed by private education foundations. Delay in determining the decision to make changes and the development of the education unit is one of the factors causing the cessation of the growth of the education unit. This happens because the institution manager cannot explore and diagnose the problems that exist earlier in the internal and external institutions, so the reasons that exist as a basis for the development and growth of the institution are not properly identified and analyzed in decision making (Kartika, 2017).

The problems of education foundations in the future are expected to have been diagnosed by the foundation's management in making decisions so that the growth of the education unit continues to grow. In the era of the industrial revolution 4.0 and the rapid globalization, Indonesian educational foundations were confronted with the foundation's financial problems relating to sources of income and increasing operational costs in providing intelligent and characterized HR outputs, and the cultural problems of the people experiencing entropy (Rachbini, 2018). The face of our society that used to be distinctive with humanist, religious values can gradually turn into a ferocious, inhuman and indifferent society towards national culture.

Based on the description above, the researcher is interested and motivated to conduct research on the influence of accounting information and organizational culture on decision making on Catholic education foundations in Indonesia. The author also sees that research at the Foundation has not been done much.

II. Review of Literature

2.1 Decision Making

Decision making is essentially a process of selecting available alternatives, evaluating alternatives that have been selected for implementation in order to achieve organizational goals (Sola, 2018). Wu et al., (2017) argue that strategic decision making is a key factor of sustainability and development in the company. So in making decisions needed relevant information, and is one of the most important components of the decision making process is the activity of gathering information from which an appreciation of the decision situation can be made (Supranto, 2005: 3).

Bedeian & Glueck, (1983: 255) suggested three important aspects in decision making. These three aspects are:

1. "Alternative identification" is aimed at systemic efforts towards various alternatives. It is not easy for a leader to know all the available alternatives. For this reason certain methods such as brainstorming are needed, namely techniques that can stimulate the

emergence of creative thinking, and *synectics*, techniques that stimulate the emergence of new ideas.

2. "Evaluation alternatives" is an evaluation of each alternative by taking into account aspects of its strengths and weaknesses, their advantages and disadvantages, costs, and benefits for achieving organizational goals.
3. "Selection of alternatives" refers to the selection of an alternative that provides the greatest possibility for achieving organizational goals, after the stages of identification and evaluation of the various alternatives available.

From the definitions given by the experts, the decision making can be interpreted in this study as setting goals and work programs of the foundation through the selection process between the alternatives presented with the formulation of the program budget, where alternative choices have also been evaluated and analysis of relevant information.

2.2 Accounting Information

Djasuli (2017) explained that the function of accounting is to provide accounting information used for organizational decision making purposes. Accounting information is information obtained from economic activities and the condition of the organization itself. Hanafi & Halim (2007) explained that based on the benefits of financial statements, there are 4 main characteristics of accounting information from financial statements that are useful in the decision making process, namely understandable that the report can be and easily understood by the user, relevant that the report is appropriate and timely, the reliability of the report presented reliably and reliably, and comparability that reports can be compared.

2.3 Organizational Culture

Organizational culture according to Rosie (2019) can be defined as an organization's "personality" which means something that is inherent in the organization, and can even be said of company assets. Jalal (2017) shows that organizational culture can be part of the key to leadership decision making and organizational achievement. Whereas Robbins & Judge (2013: 547) argues that organizational culture is a shared meaning system shared by members of the organization together, and in this shared meaning system contains 7 characteristics of the essence of organizational culture. The seven characteristics are:

- a. Innovation and risk taking, namely the extent to which members have the drive to innovate and take risks.
- b. Attention to something detailed, namely the level at which members are expected to show accuracy, analysis, and attention to detail.
- c. Orientation towards results, i.e. the extent to which management focuses on results rather than on the techniques and processes used to achieve them.
- d. People orientation, which is the extent to which management decisions in calculating the impact of the work of the people in the organization.
- e. Team orientation, which is the extent to which work activities are carried out jointly with the team rather than individually.
- f. Aggressive nature, namely the extent to which members are aggressive and competitive rather than relaxing.
- g. Stability, which is the extent to which organizational activities emphasize maintaining the status quo rather than growth.

Ameen et al., (2018) even saw that the existence of management accounting can be an organizational culture in decision making, because in every decision making it is always consulted to management accountants. Deeper Anco (2017) explains that the main corridor in the decision making process is the culture of the organization, where the leader together with all elements of the organization actually make decisions together in the organization.

2.4 Framework for Thinking and Hypotheses

This research is about the influence of accounting information and organizational culture on the decision making of the foundation's management in compiling work programs that are formulated in the form of the foundation's annual budget. This research will be conducted with a more complete modeling by examining the influence of accounting information variables and organizational culture on decision making. The framework of thinking in this study is shown in Figure 2.1.

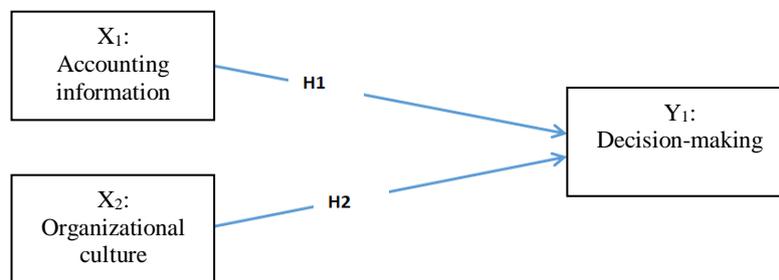


Figure 1. Thinking Framework

a. The Effect of Organizational Culture on Decision Making

Based on the framework of thinking above, the hypothesis can be built. The formulation of this hypothesis in the context of the influence of accounting information on decision making, Ware (2015), Santos et al., (2018) and Zeudong (2018) say that accounting information obtained from financial statements and financial records is very important and is used as a consideration in the selection and determine work programs that are formulated in the form of an annual budget. Accounting information is also used by decision makers in determining which activities will be the organization's top priority to be carried out in accordance with the foundation's financial capability. Then in decision making, accounting information that is understandable, comparable, reliable and relevant is needed (Ježovita 2015 and Gacheru 2017). Thus a temporary conclusion can be drawn that accounting information influences organizational decision making (H1).

b. The Effect of Organizational Culture on Decision Making

Formulation of this hypothesis in the context of the influence of organizational culture on decision making. Anco (2017) and Wu et al., (2017) emphasize the importance of organizational culture in the process of organizational activities. Organizational culture is defined as the values and norms of behavior that are accepted and understood together by members of the organization as a basis in the rules of behavior contained in the organization, both in determining the decisions taken and in implementing decisions. Culture in organizations can include several things that explain the habits that apply in the organization about; how to innovate and take risks, whether attention to details, whether results oriented, individual or team, how aggressiveness and stability (Robbins and Judge, 2013).

Jalal (2017) and Hidayat (2018) state that organizational culture significantly influences decision making. Decision making by decision makers must consider the culture of the organization so that decisions taken do not contradict the culture of the organization, because decisions that are contrary to the culture of the organization can be the wrong decision so that it causes problems in the organization and also reduces the spirit of organization in subordinates. So, managers as decision makers must know and understand the culture of the organization. Thus a temporary conclusion can be drawn that organizational culture influences decision making (H2).

III. Research Method

This research was conducted with a quantitative approach with descriptive and causal research to measure the dependence and relationships between research variables (Umar, 2008: 8). This research was conducted in early February 2019 until November 2019. The population of this study was 192 Catholic education foundations spread throughout Indonesia, with a minimum sample of 66 foundations obtained with the formula Slovin (Umar,2008). Determination of respondents who will fill out the questionnaire as an instrument using random sampling.

The total number of questionnaires as a whole of all variables was 53 statements. The questionnaire was distributed to respondents through WA contact by sending a questionnaire link namely <http://bit.ly/2GAmX9h>. The method of data analysis and processing in this study uses the Structural Equation Modeling (SEM) approach based on Partial Least Square (PLS) with the analytical tool used is the Smart PLS 3.0 program which consists of evaluating the model, namely the outer model and inner model, and testing the hypothesis. This research uses a reflective measurement model.

IV. Result and Discussion

4.1 Evaluation of the Outer Model

a. Indicator Reliability

Indicator reliability aims to assess whether the measurement indicators of latent variables are reliable or not. You do this by evaluating the results of the outer loading of each indicator. According to Chin in Gozhali (2015) that an outer loading value of 0.5 is considered sufficient for measurement. Outer Loading research shows PK8 indicator is less than 0.5 that is 0.391, it means that the indicator is invalid and reliable to use, then it must be issued and re-verified so that all indicators are declared valid.

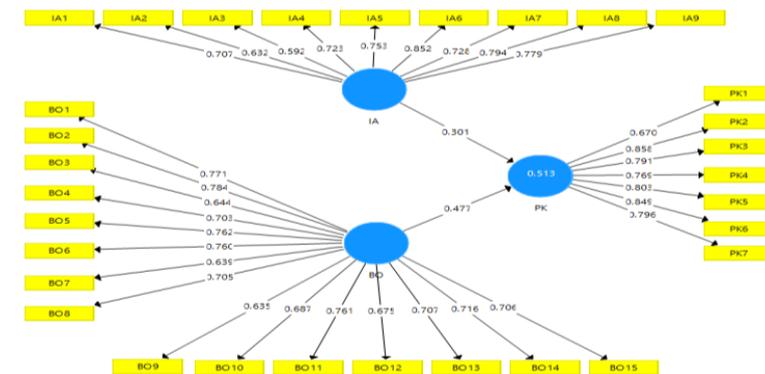


Figure 2. Outer Loading (PLS Algorithm)

b. Internal Consistency

Reliability Internal Consistency Reliability measures how well an indicator can measure its latent construct. The tools used to assess this are composite reliability and Cronbach's alpha. Composite reliability values above 0.7 (Hair et al, 2014: 101) are considered to have good reliability, and the expected Cronbach's alpha value is above 0.7 (Ghozali and Latan, 2015). Then the indicators in this study indicate that the indicators can measure their respective latent constructs, namely the accounting information variable with a CR value of 0.912 (> 0.7) and CA of 0.891 (> 0.7), an organizational culture variable with a CR value of 0.939 (> 0.7) and CA 0.930 (> 0.7) and decision making variables CR values 0.922 (> 0.7) and CA 0.901 (> 0.7) (Table 4.1).

c. Construction validity and reliability

This test is conducted to determine whether the reflective measurement model can be relied upon in research. The value of validity and reliability can be seen from the value of Average Variance Extracted (AVE) with a limit value > 0.5 and Composite Reliability (CR) > 0.7 . The results of verifying the validity and reliability of the variables can be seen in Table 4.1. So that it can be seen that each latent variable has a value of AVE > 0.5 and CR > 0.7 so that it can be interpreted that the reflective measurement model is valid and reliable in this research model.

Table 1. Construction Validity and Reliability

	Cronbach's Alpha	Reliabilitas Komposit	Rata-rata Varians Diekstrak (AVE)
BO	0.930	0.939	0.507
PK	0.901	0.922	0.629
IA	0.891	0.912	0.537

Source: Primary data processed

4.2 Evaluate the Structural Model or the Inner Model

a. Determinant Coefficient (R²)

This test aims to see the strength of the relationship of research pathways to endogenous variables. The first is to see the determinant coefficient (R²) with criteria values of 0.67, 0.33 and 0.19 as strong, moderate, and weak (Chin, 1998 in Ghozali and Latan, 2015). This determinant coefficient states that the R² value of decision making variables (PK) has an R² value of 0.513 so that the relationship is concluded to be strong because it is closer to the value of 0.67, meaning that as much as 51.3% of the variation in decision making data can be explained by IA and BO variables and the remaining 48.7% is explained by other factors outside the research model.

b. Path coefficient (β)

Path coefficient testing is to find out whether or not a significant relationship between exogenous and endogenous variables, namely accounting information and organizational culture on decision making. According to Hass and Lehner (2009), the path coefficient values in the range of -0.1 to 0.1 are considered insignificant, values greater than 0.1 are significant. The data in table 4.6 shows that the path coefficient shows the relationship between IA and PK 0,3006 $> 0,1$ and BO against PK 0,4771 $> 0,1$ so that both relationships have significant values.

Table 2. Path Coefficient

Path	Coefficient	Information
IA --> PK	0,3006	Significant
BO --> PK	0,4771	Significant

Source: Primary data processed

4.3 Hypothesis Testing

This hypothesis testing phase is carried out after the structural model evaluation phase is carried out. The hypothesis criteria accepted are if the path coefficient value > 0.1 and P Value < 0.05 (Hass & Lehner, 2009). Table 3 shows the results of testing the hypothesis on the research model.

Table 3. Hypothesis Values

Path	Coefficient	P Value	Information	Hypothesis
IA --> PK	0,3006	0,0116	Significant	Accepted
BO --> PK	0,4771	0,0001	Significant	Accepted

Source: Primary data processed

The results of testing the hypothesis (H1) about the influence of accounting information on decision making, namely the value of the path coefficient 0.3006 (> 0.1) with a significance at P Value 0.0116 (<0.05), so the hypothesis is accepted that accounting information influences the taking decision. This means that the higher the value of the quality of accounting information used, the more it will help the foundation's management in making the best decisions for educational foundations. This can be interpreted that the management of educational foundations in decision making uses quality accounting information in their decision making. The use of accounting information is considered important by the foundation's management so that in determining future work program budgets, the foundation can be more targeted and more effective and efficient financing.

This study is in line with the results of previous studies conducted by Jezovita (2015), Gacheru (2017), Ameen et al., (2018), and Zeudong (2018). Based on this evidence, it can be said that the results of this study which state that accounting information influences decision making in accordance with the theory that accounting output is accounting information is the link between the economic activities of an organization with decision makers (Hanafi and Halim, 2007). And the theory which states that the main purpose of the foundation's financial statements is to provide relevant information to meet the foundation's internal and external interests to help decision makers make or make the best decisions for the organization (Bastian, 2007).

The results of testing the hypothesis (H2) about the influence of organizational culture on decision making showed a path coefficient of 0.4771 > 0.1 and significant at P Value 0.0001 < 0.05. Thus it can be stated that organizational culture (BO) influences decision making (PK). This proves that the better the habits that are entrenched in the organization, the better the decisions taken by the foundation's management at the education foundation.

The results of testing this hypothesis are in line with organizational culture theory which states that organizational culture can influence the way people behave and act.

Organizational culture is also a benchmark in the preparation and design of organizational programs that are determined by leaders to be realized by all members of the organization (Ambarita et al., 2014). All decisions and actions of members of the organization and that reflect the purpose, identity and standard of evaluation of everything. The results of this study are also in line with research conducted by Anco (2017), Jalal (2017), Wu et al., (2017), Hidayat (2018) and Ameen et al., (2018) who prove the influence of organizational culture on decision making, and said that decision makers must know and understand the true culture of the organization, so that the decisions taken are not contrary to the culture of the organization.

Foundation administrators as leaders if they do not understand good cultures in the organization, can lead to mistakes in making decisions that are not in accordance with the characteristics of the organization and can cause problems with subordinates and coworkers who have lived the existing BO. So it is important for the management of the foundation to understand the culture of the organization they lead.

V. Conclusion

Based on the results of hypothesis testing and the discussion above, it can be concluded that, first, accounting information significantly influences decision making. This can be interpreted based on the theory which states that quality accounting information can help decision makers to make or make the best decisions for the foundation from among the available alternatives. Second, organizational culture significantly influences decision making. This is consistent with the theory that states that organizational culture is a set of assumptions, beliefs, norms or habits in organizations that can affect the way people behave and act, also becomes a reference in making decisions determining the work program of the organization. Thus it can be said that decision making must be supported by quality accounting information and good organizational culture, so that the decisions taken by the foundation's management are the best decisions for the foundation that will be realized by all members of the foundation in providing quality services and can answer the challenges of the times and surplus to be able to maintain the life of the foundation in the future in order to continue operating.

Based on the results of the discussion and conclusions, the researcher advises the Catholic education foundation, in order to maintain and improve the quality of accounting information needed, and also maintain and develop cultures that are well adhered to, so that it can support the foundation's management in making the best decisions for the foundation. Further researchers are advised to use a larger sample size or with a saturated sample, and it is also advisable to use qualitative data from interviews or focus group discussions in depth to the foundation's management in order to obtain more objective results as a complement to quantitative data.

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