

# **CHAPTER I**

## **INTRODUCTION**

### **A. Background**

One of the most important things for the higher education to be able to compete with competitors is improving organizational performance. Organizational performance describes how far one group has carried out all the main activities to achieve the institution's vision and mission. Every institution needs to manage the resources well for future institutional sustainability. In managing their resources, institutions need the human resources who have the ability, knowledge and skills to improve the private higher education performance. Organizational performance is influenced by several factors such as performance budgeting, performance appraisal, reward and punishment, organizational commitment and others.

Indonesia is one of the countries that is fully committed to allocating a large portion of the budget to support aspects of education in various regions. Referring to Law No. 20 of 2003 concerning the National Education System, there are provisions for the allocation of education funds of 20% from the APBN and APBD, this number encourages universities to compete each other. Because of many universities that continue to grow each year, universities must have academic excellence through improving the quality of staff and lecturers at the university. To

achieve this, the ability to carry out management functions is needed, such as budgeting and performance appraisal. The increasing of the competitive conditions encourage universities to improve the quality of output produced in order to be able to survive as a quality college. Based on Zahraini (2014), universities as organizers of higher education must appear as leaders who can be relied upon in developing the progress and civilization of the nation. In addition to being required to compete in the quality of academic practice, higher education institutions are also expected to have good organizational performance.

In assessing organizational performance, it must be returned to the reasons and objectives of the establishment of the organization. In the private organization whose purpose is to produce goods and service, the performance measurement is how much they are able to produce (productivity) or how much profit can be achieved (economy). Meanwhile in public organizations, find an appropriate indicators to measure the private higher education performance is still difficult. If reviewed from the main objectives and mission of public organizations, the objective is to meet the needs and interests of the public, then the performance of the public organization can only be said to be successful if it is able to realize its goals and mission, namely responsiveness, responsibility and accountability.

For assessing quality of education, different indicators may be developed to give information about the performance of a higher institution in different aspects of input, process, and outcome. The difference in the choice and the emphasis on

indicators may reflect the diverse interests and expectations among the concerned constituencies. Different management strategies used to achieve education quality under certain environmental constraints within a certain time frame and the benefits of organizational activities can generate amazing benefits. The indicator of education quality may include high quality student intake, more qualified staff recruited, better facilities and equipment, better staff student ratio, and more financial support procured from the central education authority, alumny, parents, or an outside agents (Cheng & Tam, 1997).

Successfull management is measured based on managerial functions, one of which is the most basic function of budget planning and management. By building a budgeting system that can integrate performance planning with the annual budget there will be a link between the available funds and the expected results. This budgeting system is also called performance based budgeting. In the formulation using the participation approach, budget information obtained by top management is used to evaluate functional organizational performance and distribute rewards and penalties. Because top managers have limited information about the day-to-day operations of subordinates, information directly from subordinates is very important for more effective and efficient budgeting. However, on the one hand top managers have broad insight into companies that are no less important for general budgeting (Kennis, 1978). Participatory budgeting focuses on the efforts to increase employees' motivation to achieve organizational goals. Therefore, communication

and coordination of every member of the organization are required to achieve the organizational goals. The role of communication and coordination is increasingly important as the size of the organization increases.

Performance appraisal is the process of collecting, analyzing and/or reporting information regarding the performance of an individual, group, organization, system or component. Performance appraisal is not a new concept, some of the earliest records of human activity relate to the counting or recording of activities. Once an annual ritual in the institutions has been carried out, performance appraisal has become a continuous process by which an employee's understanding of an organization's goals and the progress toward their contributions to the organizations are measured. Performance measurement is an ongoing activity for all managers and their subordinates. According to Armstrong (2000), performance management is a means of getting better results from the whole organization or teams or individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

Managerial practices upon performance should emphasize on the quality strategies such as quality of training and development; extent of feedback on quality to employees; quality emphasis with customers and suppliers; and involvement of employees in quality control (Kagaari, Munene, & Ntayi, 2010). Every organization needs to deploy different strategies in order to improve

employees' performance towards the achievement of predetermined goals. Many approaches have been applied and implemented to improve employee performance. Beside performance based budgeting and performance appraisal, Reward and Punishment can also be considered as the way to motivate the employees, since Reward and Punishment has been identified as a major tool to maximize the employee performance. When the organizations attempt to motivate people, one of the way in giving reward or warn the employees by giving punishment.

A lecturer who has a dual role, namely as an academic / educator and also as a manager in a structural position at the University. As a manager, he must base his work on efficiency and achieving organizational goals (Nasution & Hermiyetti, 2017). For students, lecturers are one of the factors that greatly determine the success of improving students' abilities in accordance with their competencies needed. This also means that lecturers really determine the quality of graduates of a college. The role and duties of the lecturer are very important and become a key to improve the quality of graduates of Higher Education. Improving the quality of lecturers as a manager can be done by structural assignments to the institution of higher education.

In Q.S An-Nahl : 125 explained that humans must guide each other with the right teaching, especially a teacher who has an important role for the generation below, Allah SWT said :

ادْعُ إِلَى سَبِيلِ رَبِّكَ بِالْحُكْمَةِ وَالْمَوْعِظَةِ الْحَسَنَةِ وَجَادِلْهُمْ بِالَّتِي هِيَ أَحْسَنُ إِنَّ رَبَّكَ هُوَ أَعْلَمُ  
بِمَنْ ضَلَّ عَنْ سَبِيلِهِ وَهُوَ أَعْلَمُ بِالْمُهْتَدِينَ

”Invite to the way of your Lord with wisdom and good instruction, and argue with them in a way that is best. Indeed, your Lord is most knowing of who has strayed from His way, and He is most knowing of who is [rightly] guided”

The following is the list of accreditation rating from private universities in Ciamis and Tasikmalaya. Researcher has been collected the total 32 accredited private higher education in Ciamis and Tasikmalaya including 5 private higher education from Ciamis and 27 from Tasikmalaya. Most of these private higher education were accredited B, C and not accredited.

Table 1.1  
Institutes Accrediation Rating

No	Institutions	Region	Accreditation
1	Universitas Galuh Ciamis	Ciamis	B
2	STIKES Muhammadiyah Ciamis	Ciamis	B
3	STAI AL-Ma'arif Ciamis	Ciamis	-
4	Institiut Agama Islam Darussalam Ciamis	Ciamis	B
5	STAI Putra Galuh Ciamis	Ciamis	-
6	BSI (Bina Sarana Informatika)	Tasikmalaya	B
7	Akademi Analisis Kesehatan Polteks Tasikmalaya	Tasikmalaya	B
8	STMIK Tasikmalaya	Tasikmalaya	B
9	STMIK DCI Tasikmalaya	Tasikmalaya	C

<b>No</b>	<b>Institutions</b>	<b>Region</b>	<b>Accreditation</b>
10	STIKes BTH (Bakti Tunas Husada) Tasikmalaya	Tasikmalaya	B
11	Sekolah Tinggi Hukum Galunggung (STHG)	Tasikmalaya	B
12	STAI (Sekolah Tinggi Agama Islam)	Tasikmalaya	C
13	STIA YPPriatim	Tasikmalaya	-
14	LP31 (Lembaga Pendidikan dan Pengembangan Profesi)	Tasikmalaya	-
15	Akademi Pariwisata Siliwangi	Tasikmalaya	-
16	Politeknik TRIGUNA	Tasikmalaya	-
17	IAIC Cipasung	Tasikmalaya	-
18	STIE Cipasung	Tasikmalaya	C
19	CBI (Citra Buana Indonesia)	Tasikmalaya	-
20	Sekolah Tinggi Ilmu Sosial dan Ilmu Politik Tasikmalaya	Tasikmalaya	-
21	STTC (Sekolah Tinggi Teknologi Cipasung)	Tasikmalaya	-
22	Akademi Manajemen Informatika dan Komputer (AMIK)	Tasikmalaya	-
23	STIE Indonesia	Tasikmalaya	-
24	STIKes Mitra Kencana	Tasikmalaya	-
25	STIKes Respati	Tasikmalaya	-
26	Umtas Muhammadiyah Tasikmalaya	Tasikmalaya	-

No	Institutions	Region	Accreditation
27	STT YBS Internasional	Tasikmalaya	-
28	UNPER (Universitas Tasikmalaya)	Tasikmalaya	-
29	POLTEKES Kesehatan Gigi	Tasikmalaya	-
30	Stai-M Tasikmalaya	Tasikmalaya	-
31	Institut Agama Islam Latifah Mubarokiyah (IAILM) Suryalaya Tasikmalaya	Tasikmalaya	C
32	Akademi Kebidanan Syahida Komunika	Tasikmalaya	-

Source: BAN PT Indonesia

Based on the table above, 25% of the higher education in Ciamis and Tasikmalaya are accredited B, 12.5% of the populations are accredited C, and 62.5% are not accredited yet. It means that the higher education quality in Ciamis and Tasikmalaya is still not outstanding in term of academic value. In addition, the quality of management practice of the institution is not effective and efficient.

Lecturers are required to show good performance. Improving the performance of lecturers requires several things such as high motivation, adequate competence, good leadership and a work environment that supports lecturers to be able to improve their performance (Zahraini, 2014). Related to this, Law No. 14 of 2005 also requires that lecturers must have functional positions at least as expert



assistants. In reality, there are still some lecturers who do not have functional positions, even though functional positions are one of the teaching conditions.

The lecturers of all private higher education in Ciamis and Tasikmalaya are very instrumental in producing qualified graduates with satisfying academic values. Therefore, the quality of lecturers in those institutions must receive serious attention from the organizers of higher education. However, based on the author's observation, management practice especially in term of academic. Financial and budgeting process from private higher education in Ciamis and Tasikmalaya is not effective and efficient. In this case, a good quality of the human resources performance and the quality of financial systems is needed in order to increase the higher education performance.

Based on the explanation above, an effort is needed to improve organizational performance and employee performance in higher education in order to increase the overall quality of education in Indonesia, especially in Ciamis and Tasikmalaya. This research will examine the effect of performance budgeting and performance appraisal on the private higher education performance through Reward and Punishment and staff organizational commitment. The sample of this research is all private higher education in Ciamis and Tasikmalaya since the development of universities in Ciamis and Tasikmalaya is fairly slow both in terms of organizational performance and other aspects.

The main focus of this study is to examine the influence of performance budgeting and performance appraisal on the private higher education performance in Ciamis and Tasikmalaya with the title “The Effect of Performance Budgeting and Performance Appraisal on the Private Higher Education Performance through Reward and Punishment as intervening variables and Organizational Commitment as moderating variable. (A study on the private higher education in Ciamis and Tasikmalaya)”

## **B. Research Scope**

The scope of this research is:

1. The variables used in this research as independent variables are performance budgeting and performance appraisal. While the dependent variable in this study is organizational performance. This research also use Reward and Punishment as mediating variable and organizational commitment as moderating variable
2. Population used in this research is all private higher education in Ciamis and Tasikmalaya city.

## **C. Research Question**

1. Does Performance budgeting have positive influence on the private higher education performance in Ciamis and Tasikmalaya?
2. Does Performance Appraisal have positive influence on the private higher education performance in Ciamis and Tasikmalaya?

3. Does Performance Budgeting have positive influence toward te implementation of reward and punishment system in Ciamis and Tasikmalaya?
4. Does Performance Appraisal have positive influence toward the implementation of reward and punishment in Ciamis and Tasikmalaya?
5. Does Reward and Punishment have positive influence on private higher education performance with organizational commitment as moderating variable?

#### **D. Research Objective**

1. To obtain the empirical evidence of the effect of performance budgeting toward private higher education performance.
2. To obtain the empirical evidence of the effect of Performance Appraisal toward private higher education performance.
3. To obtain the empirical evidence of the effect of performance budgeting toward Reward and Punishment.
4. To obtain the empirical evidence of the effect of Performance Appraisal toward Reward and Punishment.
5. To obtain the empirical evidence of the effect of Reward and Punishment to private higher education performance with organizational commitment as moderating variable.

## **E. Benefit of the Study**

### 1. Theoretically

- a. This research is expected to provide empirical evidence of the effect of Performance Budgeting and Performance Appraisal on the Private Higher Education performance.
- b. This research is expected to be the reference in the future research about factors affecting private higher education performance.

### 2. Practically

- a. This research is expected to provide the importance of participation of employee in the budgeting process
- b. This research is expected to provide an input and consideration in managing employees so that it can improve the lecturer performance, more qualified staff recruited and improve the quality of graduates of the private higher education in Ciamis and Tasikmalaya.