

## Analysis of Factors Influencing Organizational Performance at Private Universities at LLDIKTI Region 1 North Sumatra

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**Abstract.** The purpose of this research was to analyze whether the implementation of internal control systems, budgeting processes, transparency and organizational characteristics at private tertiary institutions in LLDIKTI Region 1 North Sumatra can increase the value of their organizational performance. This research method was carried out using quantitative with primary data sources, namely by distributing questionnaires to respondents. The time of this research starts from April 2021 to October 2022. The population of this research is all private higher education institutions in LLDIKTI region 1 North Sumatra which consists of 214 universities. The sample in this study used purposive sampling with the following criteria: 1) Private Tertiary Education Institutions that have a minimum accreditation score of "C" or Good, 2) At the time this questionnaire was distributed, the sample was serving as a budget user such as the Chancellor/director/Chairman, Assistant Chancellor/director/chairman, Dean or assistant dean or Head of Study Program/ Deputy Head of Study Program and has served for at least 2 years. The result of this research is to find that internal control systems, budgeting processes, transparency and organizational characteristics can affect organizational performance. The novelty in this study is that this research has never been studied in private tertiary institutions using the same variables, as well as adding indicators of organizational performance into financial, non-financial and social

**Keywords:** Internal Control System, Budgeting Process, Transparency, Organizational Characteristics and Organizational Performance

### Introduction

Organizational performance, especially private tertiary institutions in North Sumatra, is experiencing a setback, this can be seen from the 2019 LLDIKTI (Higher Education Service Institution) report, there were 35 (thirty five) tertiary institutions which were closed in region 1, North Sumatra, one of the reasons was because there were no students and the latest news is that the Ministry of Education and Culture (Kemendikbud) has closed 4 (four) more private universities (PTS) in North Sumatra due to not following government regulations, one of which is that the number of students is not there (<https://globalmedan.com>).

The phenomenon in this study is that there are 37 PTS in private tertiary institutions in LLDIKTI Region 1 North Sumatra which are closed, 22 PTS which are closed are in Medan City, after tracing the causes of the lack of funding problems to fund the PTS operations, so that the number of lecturers remains at the college does not comply with applicable government regulations and the college's facilities are inadequate, and finally the accreditation value of study programs and institutional accreditation is still low and does not even have an accreditation value, so that no student registers at the college (Januri et al., 2023). As a result, there were no students, so the college was forced to close because it could not carry out the tridarma of higher education in accordance with government regulations.

Many factors influence organizational performance in private tertiary institutions in LLDIKTI region 1, North Sumatra, including (a) the internal control system [(Tuan, 2020); (Handayai. et al., 2020); (Gift, 2018); (Umar & Dikko, 2018); (Owiredo, et al., 2016); (Jacob & Philip, 2016); (Tanui et al., 2016) and (Ojua; 2016)] (b) budgeting process [(Okotchi & Makokha, 2020); (Nair et al., 2020); (Abuga & Muturi, 2019); (Hutama & Yudianto, 2019); (Irumba & Alinaitwe, 2019); (Kamau et al., 2017); (Pimpong & Laryea, 2016); (Isaboke & Kwasira, 2016) and (Kimunguyi et al., 2015)]; (c) transparency [Emueje & Tochi, 2020); (Andriani, 2019); (Putra & Rasmini, 2019); (Mualifu et al., 2019); (Umami & Nurodin, 2017) and (Kumalasari, 2016)]; (d) organizational characteristics [(Malongo et al., 2019), (Ihya et al., 2019); (Gachoka et al., 2018); (Firmansyah et al., 2017); (Oyewobi et al., 2016) and (Kisengo & Kombo, 2014)] and so on, but what most influences organizational performance is thought to be internal control and the budgeting process.

According to Anthony dan Young (1994), Adequate internal control systems are essential to the management of non-profit organizations and internal systems audit and include procedures to evaluate the performance of entities regardless of profit or non-profit. By examining the influence of the variables that interfere with the internal control system in universities, we can answer fundamental questions about the relationship between internal control and organizational performance. Researchers dealing with internal control systems such as (Hoai et al., 2022); (Alemu & Gujral, 2021); (Simon, 2021); (Purba et al., 2021); (Rachman & Dyahrini, 2021); (Hanoon et al., 2021); (Alawaqleh, 2021); (Tuan, 2020); (Tetteh et al., 2020); (Handayani et al., 2020); (Sahusilawane, 2020); (Hussaini & Dikko, 2018); (Eke, 2018); (Bett & Memba, 2017); (Oppong et al., 2016); (Tanui et al., 2016); (Jacob & Philip, 2016); (Magu & Kibati, 2016); (Kinyua et al., 2015) and (Kinyua-Njuguna et al., 2014), which states that the internal control system influences organizational performance, but is not in line with the research conducted by (Saithip & Kornchai, 2022); (Karabulut et al., 2020); (De Simone et al., 2019); (Hussaini & Dikko, 2018) and (Nife & Lawal, 2018) which states that the internal control system has no

effect on organizational performance.

Inadequate budgeting processes can also affect organizational performance at tertiary institutions in LLDIKTI region 1 North Sumatra, it can be seen from the facts on the ground according to the Head of Koperties Region 1 North Sumatra that there are 16 (sixteen) private tertiary institutions and 2 (two) study programs recommended for closed because they did not have sufficient funds to pay lecturer salaries and build their own buildings. (<https://sumut24.com>). And this fact is supported by the 214 PTS in Region 1 North Sumatra, only 98 PTS have institutional accreditation values, while the other 116 PTS do not have accreditation values. meet the university's accreditation score. Other researchers stated that the budgeting process has an effect on organizational performance carried out by (Ali, 2022); (Schubert & Kirsten, 2021); (Subriyah et al., 2021); (Rachmawati et al., 2021); (Keng'Ara & Makina, 2020); (Okotchi et al., 2020); (Naira et al., 2020); (Hutama & Yudianto, 2019); (Mujannah et al., 2019); (Nguyen et al., 2019); (Irumba & Alinaitwe, 2019); (Mbutia & Omagwa, 2019); (Abuga & Muturi, 2019); (Gachoka et al., 2018); (Kwarteng, 2018); (Kamau et al., 2017); (Pimpong & Laryea, 2016); (Chemeltorit et al., 2016); (Isaboke & Kwasira, 2016); (Balongun et al., 2015)and(Kimunguyi et al., 2015)but different from the research conducted by (Purba et al., 2021)who conducted research on religious organizations in Indonesia and the results of his research stated that the budgeting process had no effect on organizational performance.

The lack of transparency within the organization may have a far-reaching impact on the sustainability of private tertiary institutions. This can be seen from the facts on the ground where there are many conflicts between foundations and higher education leaders due to a lack of transparency carried out by both parties, resulting in conflicts resulting in private tertiary institutions stopping their operations. This is supported by a study conducted by Cucciniello et al. . (2017) show that transparency effectively increases participation, reduces corruption, and improves financial management. Qian et al. (2015) has provided a correlation between transparency and firm performance. The same thing was also stated by (Attahiru, 2022); (Valdiansyah & Augustine, 2021); (Nicholas Adeg Emodia & Mwanzia, 2021); (Hanum et al., 2021); (Qizam, 2021); (Kumar & Ganguly, 2020); (Jatmiko, 2020); (Sahusilawane, 2020); (Y. Li et al., 2019); (Puron-Cid et al., 2019); (Xue & Niu, 2019); (Asri & Ali, 2019); (Gek & Lok, 2019); (Lulaj, 2019); (De Simone et al., 2019); (Oino, 2019); (Malau, 2019); (Puron-Cid et al., 2019); (Y.-Y. Li, 2019); (Wayono et al., 2018)and(Olokundun et al., 2018)which states that transparency can affect organizational performance in both profit and non-profit companies, but is not in line with research conducted by (Saithip & Kornchai, 2022); (Karabulut et al., 2020); (De Simone et al., 2019); (Hussaini & Dikko, 2018)and(Nife & Lawal, 2018)which states that transparency has no effect on organizational performance.

Organizational characteristics can also affect organizational performance, where these organizational characteristics have dimensions including 1) leadership style, 2) technology and 3) leadership involvement in budgeting. Researchers believe that if a non-profit organization can apply a visionary leadership style and a charismatic style it will be able to increase organizational performance, especially PTS in LLDIKTI Region 1, then using the current information technology in its operational activities will be able to increase the transparency of the achievements of the universities so far and with the use of this technology it is hoped that they will be able to streamline the costs incurred such as no longer needing to print reports on paper, simply by looking at the information on the respective college websites. Besides that, the involvement of leaders in budgeting will be able to provide input that can increase the performance of higher education organizations. Many studies also state that organizational characteristics can affect organizational performance (Zulkarnain et al., 2022); (Kitonyi et al., 2020); (Handayani et al., 2020); (Phuong, 2020); (Se et al., 2019); (Malongo et al., 2019); (Berberoglu, 2018); (Yu et al., 2018); (Firmansyah et al., 2017)and(Kisengo & Kombo, 2014)but there are also those who state that some organizational characteristics influence organizational performance (Riwo-Abudho et al., 2013)and there is even the opposite which states that organizational characteristics do not affect organizational performance as by (Purba et al., 2021)which states that organizational characteristics do not affect performance in church organizations in Indonesia, this is also supported by (Sahusilawane, 2020); (Ihya et al., 2019). The purpose of this study was to analyze whether internal control systems, budgeting processes, transparency and organizational characteristics can affect organizational performance, especially the performance of private tertiary institutions in LLDIKTI Region 1, North Sumatra. As for the novelty in this study, this research has never been studied using the same variable, then organizational performance is seen from 3 aspects, namely financial, non-financial and social.

## Literatur Review and Hypothesis Development

### Teoryof Action and Job Performance

*Teory of action and job performance* indicates that the best performance (best fit) can be realized from the slices of individual, environmental factors and the roles and tasks carried out by human resources, including leaders in an organization (Boyatzis, 2008). Values, traits, styles and knowledge supported by the organizational environment can drive the role of a leader in completing tasks and functions towards achieving the best organizational performance.

### Agency Theory

The agency philosophy was originally discovered by Jensen & Meckling in 1976 and describes the agency bond as an agreement between one or more principals (owners) contracting another person (agent) to perform some services for their needs by assigning some tasks to carry out provisions to the agent. (Jensen &

Meckling, 1976).

**Budget Theory**

Budget theory refers to the social and political motivations behind civil society and government budgeting. Modern proponents of budget theory are Bozeman and Straussman (1982). Other supporters include Adams (1985), Bartle (2001), Khan and Hildreth (2002), Irumba and Alinaitwe (2019) and Okotchi and Makokha (2020). This theory describes the three functions of budgeting as strategic planning, management control and operational control (Schick, 1966).

**Stakeholders Theory**

Freeman (in Safitri, 2015) states that stakeholder theory is a theory that describes which party the company is responsible for. Stakeholders are all parties, both internal and external, who have a relationship that either influences or is influenced directly or indirectly by the company. The company's stakeholders consist of various parties, namely shareholders, investors, creditors, the government, customers, company employees, and the general public.

**Organizational Performance**

According to Luthans (2006), performance is the quantity and quality of work produced or services provided by someone who does work in the organization. Fahmi (2011) provides a definition of performance as the results obtained by the organization during a certain period. Therefore organizational performance reflects the level of achievement and achievement of predetermined targets and the success of managers or organizational leaders in managing the organization. The indicators of organizational performance are a) financial, b) non-financial and c) social

**Internal Control System**

Internal Control System is an organizational management process used in ensuring that objectives of operational effectiveness and efficiency, reliability of financial reporting and compliance with policies, regulations and laws are strictly adhered to COSO (2013). The indicators of the internal control system are: a) Control Environment, b) Risk Assessment, c) Control Activities, d) Information and Communication and e) Monitoring.

**Budgeting Process**

The budgeting process is the way organizations build budgets through the involvement of those who are responsible for managing it with the overall goal of achieving company goals (Halmilton, 2009). The purpose of the budgeting process is to assist decision makers in making informed choices for the provision of services and assets and to promote stakeholder participation in the process. The benchmarks for the budgeting process are: a) Budget Planning, b) Budget Participation, c) Budget Communication and d) Budget Evaluation.

**Transparency**

Transparency which comes from the word transparency is the principle of opening oneself up to the public's right to obtain access to correct, honest and non-discriminatory information regarding the organization of organizations with due regard to the protection of personal, group and state secret human rights (Jubaedah, 2008). As for the indicators of transparency are: a) Informative, b) Openness, and c) Openness.

**Organizational Characteristics**

According to Gitosudarmo (in Suswati, 2012) explains that the characteristics of the organization are how the relationships that occur within an organization between superiors and subordinates, and fellow co-workers as well as how the payroll system and habits exist within the organization. The benchmarks in this study are: a) Leadership Style, b) Technological Advances and c) Leadership involvement in budgeting.

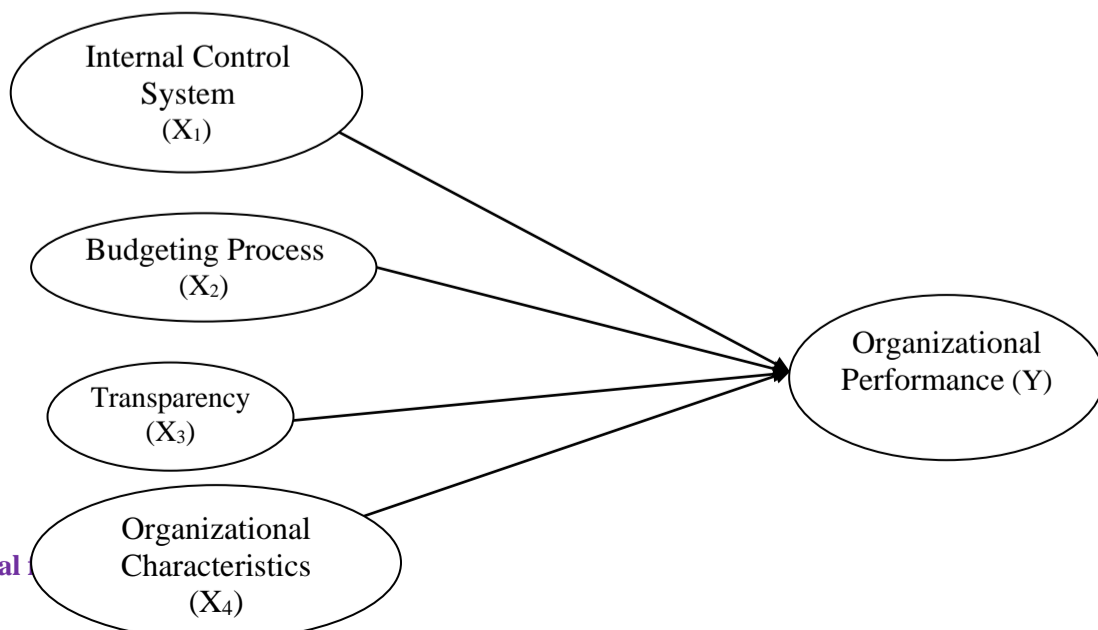


Figure 1. Conceptual Framework

**Hypothesis Development****The Effect of Internal Control Systems on Organizational Performance**

In agency theory, agents as actors who run higher education organizations must implement a good internal control system, so that the vision and mission of the tertiary institution can be achieved in accordance with the targets desired by stakeholders or principals, with a good internal control system, it is hoped that organizational performance will increase because with the existence of a higher education management system it can be managed efficiently and effectively. This statement is supported by (Hoai et al., 2022); (Alemu & Gujral, 2021); (Simon, 2021); (Purba et al., 2021); (Rachman & Dyahrini, 2021); (Hanoon et al., 2021); (Alawaqleh, 2021); (Tuan, 2020); (Tetteh et al., 2020); (Handayani et al., 2020); (Sahusilawane, 2020); (Hussaini & Dikko, 2018); (Eke, 2018); (Bett & Memba, 2017); (Oppong et al., 2016); (Tanui et al., 2016); (Jacob & Philip, 2016); (Magu & Kibati, 2016); (Kinyua et al., 2015) and (Kinyua-Njuguna et al., 2014), which states that the better the internal control system implemented in profit and non-profit organizations will definitely increase organizational performance. From the agency theory proposed by the authors and supported by previous researchers, the authors draw the following hypotheses:

**H<sub>1</sub>: The internal control system influences organizational performance.**

**The Influence of the Budgeting Process on Organizational Performance**

Budget theory outlines three functions in budgeting, namely strategic planning, management control and operational control (Schick, 1966). The budgeting process starting from planning, participation, communication and budget evaluation must be carried out in an accountable, accurate and efficient manner, accountability that focuses on the inputs that go into activities and is best characterized by a line budgeting approach, this is supported by research conducted by (Ali, 2022); (Schubert & Kirsten, 2021); (Subriyah et al., 2021); (Rachmawati et al., 2021); (Keng'Ara & Makina, 2020); (Okotchi et al., 2020); (Naira et al., 2020); (Hutama & Yudianto, 2019); (Mujannah et al., 2019); (Nguyen et al., 2019); (Irumba & Alinaitwe, 2019); (Mbuthia & Omagwa, 2019); (Abuga & Muturi, 2019); (Gachoka et al., 2018); (Kwarteng, 2018); (Kamau et al., 2017); (Pimpong & Laryea, 2016); (Chemeltorit et al., 2016); (Isaboke & Kwasira, 2016); (Balongun et al., 2015) and (Kimunguyi et al., 2015), From the findings of these studies, it is stated that the better the budgeting process carried out in the organizations they have will certainly be able to increase the value of organizational performance. From the budget theory described above and supported by previous researchers, the authors draw the following hypothesis:

**H<sub>2</sub>: The budgeting process influences organizational performance.**

**The Effect of Transparency on Organizational Performance**

Stakeholder theory is one of the main theories that is widely used in terms of sustainable financial reporting. One of the supporters of this theory is Donaldson and Preston (1995) who argue that the stakeholder theory extends organizational responsibility to all stakeholders, not only to investors or owners, but to the government and also to internal parties. This is supported by research (Attahiru, 2022); (Valdiansyah & Augustine, 2021); (Nicholas Adegó Emodia & Mwanzia, 2021); (Hanum et al., 2021); (Qizam, 2021); (Kumar & Ganguly, 2020); (Jatmiko, 2020); (Sahusilawane, 2020); (Y. Li et al., 2019); (Puron-Cid et al., 2019); (Xue & Niu, 2019); (Asri & Ali, 2019); (Gek & Lok, 2019); (Lulaj, 2019); (De Simone et al., 2019); (Oino, 2019); (Malau, 2019); (Puron-Cid et al., 2019); (Y.-Y. Li, 2019); (Wayono et al., 2018) and (Olokundun et al., 2018) which states that transparency can affect organizational performance. From the stakeholder theory that the authors explain and is supported by previous studies, the authors draw the following hypotheses:

**H<sub>3</sub>: Transparency affects organizational performance.**

**Effect of Organizational Characteristics on Organizational Performance**

Contingency theory is an organizational theory that claims that there is no best way to organize, lead or make decisions within an organization, but instead actions depend on internal and external situations. The contingency theory approach in studying organizational behavior in providing an explanation of how contingency factors affect the design and functioning of organizations (Islam and Hum 2012), contingency factors include culture, technology and the external environment. Research related to organizational characteristics conducted by (Zulkarnain et al., 2022); (Kitonyi et al., 2020); (Handayani et al., 2020); (Phuong, 2020); (Se et al., 2019); (Malongo et al., 2019); (Berberoglu, 2018); (Yu et al., 2018); (Firmansyah et al., 2017) and (Kisengo & Kombo, 2014) which states the characteristics of the organization affect the performance of the organization. From contingency theory and supported by previous studies, the authors draw the following hypotheses:

**H<sub>4</sub>: Organizational character influences organizational performance.**

**Methods**

This type of research uses causative quantitative by measuring the strength of the relationship between two or more variables. The approach used in this study is a survey approach, namely the activity of collecting as much data as possible regarding facts that are supporting the research with the aim of knowing status, symptoms of determining similarity of status by comparing with standards that have been selected or determined (Arikunto, 2002) . The location of this research was carried out at private tertiary institutions in LLDIKTI region 1, North Sumatra. The time of this research starts from April 2021 to October 2022.

The population of this study were all private tertiary education institutions in LLDIKTI region 1 North Sumatra, which consisted of 214 private higher education organizations. The sample in this study used purposive sampling with the following criteria: 1) Private tertiary institutions that have a minimum accreditation score of “C” ” or Good, 2) At the time this questionnaire was distributed, the sample was serving as a budget user such as Chancellor/Director/Chairman, Assistant Rector/Director/Chairman, Dean or Assistant Dean or Head of Study Program/Deputy Head of Study Program and had served for at least 2 years.

The data processing technique using SmartPLS is the second order construct, namely by dividing the research stages into two parts, the higher order construct and the lower order construct. There are two types of approaches in carrying out the second order construct, namely the repeated indicator approach and latent variable scores if the approach is carried out using repeated indicators. The measurement scale in this study uses a Likert scale.

**Results and Discussion**

**Description of Respondent Data**

From the results of this data the researcher distributed questionnaires to 98 tertiary institutions with 2 (two) research respondents representing each sample who had a minimum position of Head of Study Program/Deputy Head of Study Program at each private tertiary institution in LLDIKTI region 1 North Sumatra as follows:

**Table 1. Number of Questionnaires**

Description	Amount	Percentage
Sent questionnaires	196	100
Unreturned questionnaires	0	0
Questionnaire returns	196	100
Incomplete questionnaire	0	0
The questionnaire is broken	0	0
Total questionnaires that can be processed	196	100
Total	196	100

Source: Research Data (2023)

The characteristics of the respondents in terms of gender, length of service, and position are as follows:

**Table 2. Gender**

Gender	Amount	Percentage
Man	103	52,55
Woman	93	47,45
Total	196	100,0

Source: Research Data (2023)

Table 2 shows data from 196 respondents as many as 103 respondents or 52.55% were male and the remaining 93 respondents or 47.45% were female respondents.

**Table 3. Characteristics of Respondents Based on Length of Service**

Long term	Amount	Percentage
2-5 year	169	86,22
6-9 year	15	7,65
>10 year	12	6,12
Total	196	100

Source: Research Data (2023)

Table 3 Based on these categories, the group of 2 years to 5 years of service is 169 respondents or 86.22%, the group of 6 years to 9 years of service is 15 respondents or 7.65%, while > 10 years is 12 respondents or 6.12%.

**Tabel4.Position Respondents**

Position	Amount	Percentge
Head of Study Program / Head of Study Program	123	62,76
Dean	9	4.59

Vice Chancellor 2	13	6.63
Chairman of LPPM	14	7.14
Deputy Dean 3	2	1.02
Vice Chancellor 1	8	4.08
Chancellor/Director	21	10.71
Vice Chancellor 3	1	0.51
Chairman of LPM	5	2.55
Total	196	100

Source: Research Data (2023)

Table 4 shows the distribution of respondents adequately represents the sample needed in this study, both from the head of study program/representative of study program by 123 respondents or 62.76%, the dean of 9 respondents or 4.59%, the vice chancellor 2 of 13 respondents or 6.63% , the head of LPPM was 14 respondents or 7.14%, the vice dean 3 was 2 respondents or 1.02%, the vice chancellor 1 was 8 respondents or 4.08%, the chancellor/director/chairman was 21 respondents or 10.71%, vice chancellor 3 1 respondent 0.51%, deputy dean 2 0 respondent or 0% and head of LPM 5 respondents or 2.55%.

**Data Quality Test**

Data were processed using Structural Equation Modeling (SEM) with the Partial Least Square (PLS) alternative method. Quantitative data analysis using statistical analysis with the Smart PLS tool consists of two stages.

The first stage was carried out to see the validity and reliability of the measuring instrument manifested by the data collected. After these two things are fulfilled, the second stage is carried out to analyze the data according to the hypothesis proposed. According to Barclay, Higgins, & Thomson (1995) in SEM-PLS the first stage is called testing the measurement model or outer model and the second stage is called testing the structural model or inner model.

**Assess Outer Loading**

From the test results, it was obtained that the loading value was more than 0.7, so from these results the reliability level indicator was good and worthy of being tested at the next stage. The overall equation model can be in the structural equation as follows:

$$Y=0.285X1 + 0.324X2+ 0.235X3+ 0.205Z$$

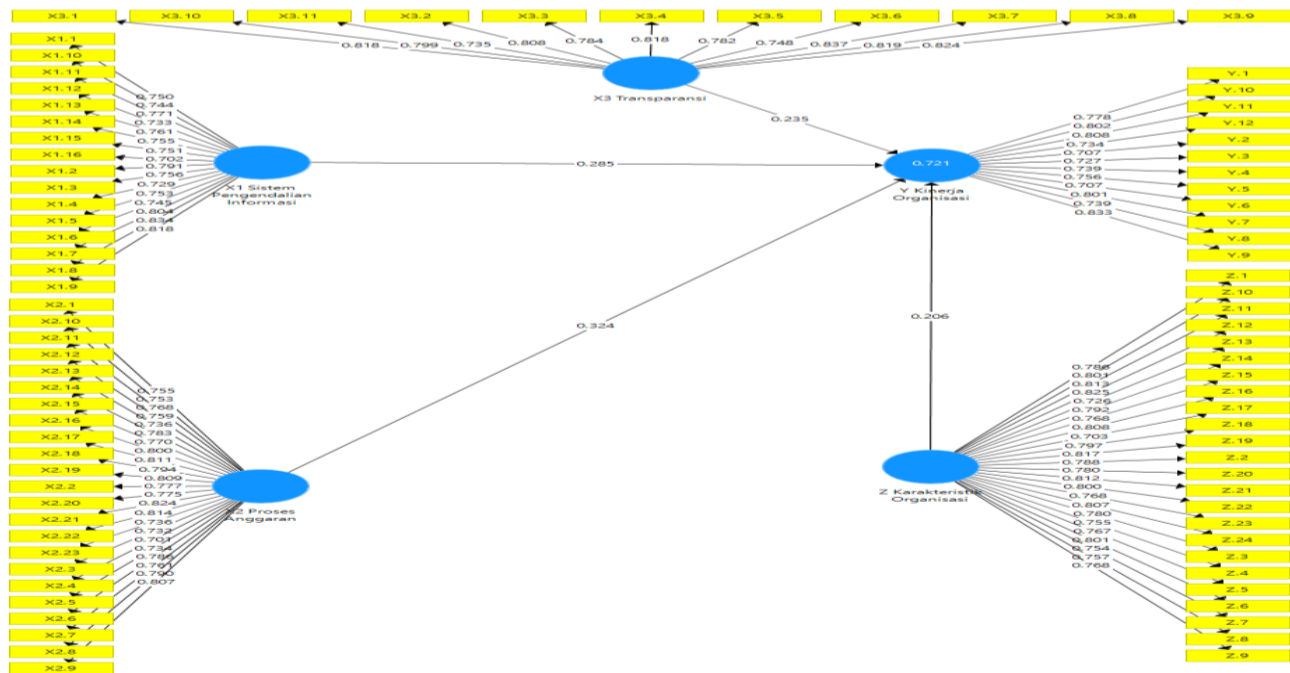


Figure 2. Path Diagram

**Model Testing in Research (Inner Model)**

Testing of the structural model (Inner Model) is carried out by looking at the relationship/path coefficient between one latent variable and another latent variable (β value) in accordance with the proposed hypothesis. The hypothesis that will be tested in this research is the influence of the Implementation of Government Internal Control Systems (X<sub>1</sub>), Budgeting Process (X<sub>2</sub>), Transparency (X<sub>3</sub>), Organizational Characteristics (X<sub>4</sub>) on Organizational Performance (Y). Calculation of the Path coefficient (β) shows the following results:

Table 5 Path Coefficient

Hypothesis	Path	Coefficient path ( $\beta$ )	t-stat	t-table	P Values	Description
H1	ICS→OP	0,285	3,484	1,97	0,001	H <sub>1</sub> Accepted
H2	BP→OP	0,324	4,282	1,97	0,000	H <sub>2</sub> Accepted
H3	TP→OP	0,235	3,618	1,97	0,000	H <sub>3</sub> Accepted
H4	CO→OP	0,206	3,012	1,97	0,003	H <sub>4</sub> Accepted

Source: SmartPLS Processed Results (2023)

From the table it is obtained that H<sub>1</sub> shows a path coefficient of 0.285 and the tcount value is 3.484. For H<sub>2</sub>, the path coefficient is 0.324 and the tcount is 4.282. H<sub>3</sub> shows a path coefficient of 0.235 and tcount value is 3.618 and H<sub>4</sub> shows a path coefficient of 0.206 and tcount value is 3.012.

The results of testing the coefficient of determination (R<sup>2</sup>) can be seen in the table below

**Table 6. Coefficient of Determination**

	R Square	R Square Adjusted
Organizational Performance	0.721	0.715

Source: SmartPLS Processed Results (2023)

From this table, it is obtained that the adjusted R<sup>2</sup> is 71.5%, this means that the variables of internal control systems, budgeting processes, transparency and organizational characteristics can explain the dependent variable, namely organizational performance of 71.5% while the remaining 28.5% is explained by other variables. which were not examined in this study.

**Discussion**

**The Effect of Internal Control Systems on Organizational Performance**

The results of the first hypothesis (H<sub>1</sub>) are accepted, which means finding that the internal control system has a positive and significant effect on organizational performance. The results of this study mean that the better the internal control system, the better the organizational performance at LLDIKTI Region 1 North Sumatra will be followed. The results of this study are in line with agency theory, where there are negotiations between principals and agents in reaching an agreement between the two parties in achieving their respective goals, some of the mechanisms used by management to overcome agency problems. According to Buchanan, Chai and Deakin, (2014) in their research on the practice of agency theory in companies in Japan, managers must be responsible for maintaining and growing the value of the company in the long term. The growth of the company's performance must be strengthened by the existence of a good internal control system, otherwise it is certain that the company's performance will never be achieved. This statement is supported by research conducted by(Hoai et al., 2022); (Alemu & Gujral, 2021); (Simon, 2021); (Purba et al., 2021); (Rachman & Dyahrini, 2021); (Hanoon et al., 2021); (Alawaqleh, 2021);(Tuan, 2020); (Tetteh et al., 2020); (Handayani et al., 2020); (Sahusilawane, 2020); (Hussaini & Dikko, 2018); (Eke, 2018); (Bett & Memba, 2017); (Oppong et al., 2016); (Tanui et al., 2016); (Jacob & Philip, 2016); (Magu & Kibati, 2016); (Kinyua et al., 2015)and(Kinyua-Njuguna et al., 2014), which states that the internal control system influences organizational performance, but is not in line with the research conducted by(Saithip & Kornchai, 2022); (Karabulut et al., 2020); (De Simone et al., 2019); (Hussaini & Dikko, 2018)and (Nife & Lawal, 2018)which states that the internal control system has no effect on organizational performance.

**The Influence of the Budgeting Process on Organizational Performance**

The results of testing the second hypothesis (H<sub>2</sub>) are accepted, meaning that it finds that the budgeting process has an effect on organizational performance. The results of this study mean that the better the budgeting process, the organizational performance will increase, in line with the budget theory which states that the three functions of budgeting are strategic planning, management control and operational control (Schick, 1966). Proponents further argue that accountability, efficacy and efficiency are the greatest values of budgeting. As for the results of research conducted by(Ali, 2022); (Schubert & Kirsten, 2021); (Subriyah et al., 2021); (Rachmawati et al., 2021); (Keng'Ara & Makina, 2020); (Okotchi et al., 2020); (Naira et al., 2020); (Hutama & Yudianto, 2019); (Mujannah et al., 2019); (Nguyen et al., 2019); (Irumba & Alinaitwe, 2019); (Mbutia & Omagwa, 2019); (Abuga & Muturi, 2019); (Gachoka et al., 2018); (Kwarteng, 2018); (Kamau et al., 2017); (Pimpong & Laryea, 2016); (Chemeltorit et al., 2016); (Isaboke & Kwasira, 2016); (Balongun et al., 2015)and(Kimunguyi et al., 2015)which states that the budgeting process affects organizational performance, but it is different from the research conducted by(Purba et al., 2021)who conducted research on religious organizations in Indonesia and the results of his research stated that the budgeting process had no effect on organizational performance.

**The Effect of Transparency on Organizational Performance**

The results of testing the third hypothesis (H<sub>3</sub>) are accepted, which means that transparency has a positive and significant effect on organizational performance, so the third hypothesis is accepted. The results of this study mean that the better the implementation of transparency in private tertiary institutions, the higher the organizational performance will be. This explanation is in line with stakeholder theory which describes to which

parties the company is responsible. Stakeholders are all parties, both internal and external, who have a relationship that either influences or is influenced directly or indirectly by the company. This statement is supported by (Attahiru, 2022); (Valdiansyah & Augustine, 2021); (Nicholas Adegio Emodia & Mwanzia, 2021); (Hanum et al., 2021); (Qizam, 2021); (Kumar & Ganguly, 2020); (Jatmiko, 2020); (Sahusilawane, 2020); (Y. Li et al., 2019); (Puron-Cid et al., 2019); (Xue & Niu, 2019); (Asri & Ali, 2019); (Gek & Lok, 2019); (Lulaj, 2019); (De Simone et al., 2019); (Oino, 2019); (Malau, 2019); (Puron-Cid et al., 2019); (Y.-Y. Li, 2019); (Wayono et al., 2018) and (Olokundun et al., 2018) which states that transparency has an effect on organizational performance, but in contrast to what is done by research (Saithip & Kornchai, 2022); (Karabulut et al., 2020); (De Simone et al., 2019); (Hussaini & Dikko, 2018) and (Nife & Lawal, 2018) which states that transparency has no effect on organizational performance.

### Effect of Organizational Characteristics on Organizational Performance

The results of testing the second hypothesis (H<sub>4</sub>) are accepted, meaning that it finds that Organizational Characteristics has a positive and significant effect on organizational performance. The results of this study mean that the better the implementation of organizational characteristics, the organizational performance will increase, in line with the contingency theory which claims that there is no best way to manage, lead, or make decisions in an organization, in this theory studying organizational behavior provides an explanation of how contingency factors affect the design and functioning of organizations (Islam and Hu, 2012). The contingency factors are culture, technology and the external environment, where the assumption in this theory is that there is no one type of organizational structure that is equally applicable to all organizations but organizational effectiveness depends on the type of technology, environmental volatility and the size of the organization. This research is in line with research conducted by (Zulkarnain et al., 2022); (Kitonyi et al., 2020); (Handayani et al., 2020); (Phuong, 2020); (Se et al., 2019); (Malongo et al., 2019); (Berberoglu, 2018); (Yu et al., 2018); (Firmansyah et al., 2017) and (Kisengo & Kombo, 2014) which states that organizational characteristics can affect organizational performance, while other studies state that organizational characteristics cannot affect organizational performance studied by (Purba et al., 2021); (Sahusilawane, 2020) and (Ihya et al., 2019)

### Conclusion

Implementation of internal control systems, budgeting processes and transparency have an influence on Organizational Performance. thus, the application of a strong internal control system, budgeting process and transparency will be able to directly explain the improvement of organizational performance in private tertiary institutions at LLDIKTI Region 1 North Sumatra.

The limitation of this research is that the use of a questionnaire as a tool used to collect data has limitations on the respondents' answers only through filling out the questionnaire without conducting in-depth interviews due to the COVID-19 pandemic. Organizational performance in this study tends to be influenced by internal factors such as the implementation of internal control systems, budgeting processes and transparency without considering external factors such as university competition, and so on.

Suggestions for further research are that besides the respondents filling out the questionnaire, it is hoped that the researcher will conduct in-depth interviews about the problems faced at each of these private tertiary institutions. Adding other variables such as university competition and local community economic growth rates as well as for future research in order to be able to redesign some of the questions in the questionnaire in order to reduce bias in future research.

The implication of this research is that with the implementation of a strong internal control system and supported by a good budgeting process followed by openness starting from the internal control system and the budgeting process is expected to be able to increase the value of organizational performance in private universities in Indonesia, especially higher education institutions. private sector at LLDIKTI Region 1 North Sumatra.

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