

## Improving Performance of Village Owned Enterprises: The Role of Human Capital, Organizational Culture, and Entrepreneurial Orientation

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### Abstract

*Village-owned enterprises (BUMDes) are economic institutions that have a strategic role in improving the village economy. However, BUMDes operational activities often face obstacles that cause BUMDes not to run as they should. This study aims to analyze the effect of human capital, organizational culture, and entrepreneurial orientation on the performance of BUMDes. The population in this study was 242 BUMDes scattered in Kampar Regency. The sampling technique used was purposive sampling by selecting active BUMDes. Respondents in this study were BUMDes managers. Of the 140 active BUMDes, 120 BUMDes participated in this research. The data collection technique uses a questionnaire that is distributed online via a google form. The results of data analysis using WarpPLS 7.0 show that human capital, organizational culture, and entrepreneurial orientation positively affect the performance of BUMDes. This research implied that knowledge and expertise possessed by managers and applying them will further improve the performance of BUMDes. It is also important for commitment, loyalty, and trying to give the best in implementing organizational culture. Creativity in innovating, being proactive, and having the courage to take risks and work hard are also crucial in managing BUMDes. Based on the research limitation, it is suggested that further research can expand the research area and use other variables that can affect the performance of BUMDes, such as innovation or leadership style.*

**Keywords:** Human Capital, Organizational Culture, Entrepreneurship Orientation, BUMDes Performance.

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## INTRODUCTION

Development is a natural process to realize the ideals of the state, namely to create a prosperous society, fair and just. Economic development is an effort to increase the standard of living of a nation as measured by the level of real income per capita. Economic development is a

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multidimensional process that involves major changes in social structures, societal attitudes, and national institutions.

The village is the smallest government area whose development is often neglected. Therefore, the government has made various efforts to improve the welfare of rural communities through multiple programs. One of the efforts to improve the welfare of rural communities is to establish Village-Owned Enterprises (BUMDes). The purpose of establishing BUMDes as stipulated in PDT and Transmigration Permendesa No. 4/2015 is to improve the village economy, increase community efforts in managing the economic potential of the village.

To assist village development, Riau Province has budgeted a fund of Rp 318 billion in the 2019 Revised APBD. This financial assistance is provided to villages for the progress of the village economy and is intended as additional capital for BUMDes. A total of 1,591 villages received financial aid, each amounting to IDR 200 million. Of the 1,591 villages scattered, there are 849 BUMDes. Of these, 131 BUMDes went bankrupt (Gagasan. Riau, 2019). In Kampar District, several BUMDes have shown poor performance, even running only one type of business, namely savings and loans. It shows that the management of BUMDes is not yet optimal, which indicates that BUMDes is not running well (Rahman & Amin, 2019). BUMDes operational activities often experience obstacles, such as capital problems, poor management systems, and low quality of human resources. Other problems BUMDes' low quality are human resource performance, an organizational culture that is not supportive of progress, and the lack of entrepreneurial orientation of BUMDes managers.

According to the attribution theory proposed by Heider in 1985, a person's behavior is caused by internal factors, or external factors (Luthans, 2006) states that the factors that influence a person's behavior consist of dispositional attribution and situational attribution. Dispositional attribution is also known as the internal cause, which is something that exists within a person such as personal traits, self-perceptions, abilities, and motivations. Meanwhile, situational attribution or external causes refer to the environment that influences behavior, such as social conditions, social values, community views. Internal factors include the ability in a person, which can be called human capital, and abilities such as orientation or interest. External factors can be influenced by the environment, such as organizational culture. Attributing organizational performance can be explained by attribution theory. Performance depends on internal aspects of the organization's people, including abilities and interests and external factors such as organizational culture. This study analyzes human capital, organizational culture, and entrepreneurial orientation as internal and external factors that can affect the achievement of performance in BUMDes.

Human capital can be defined as the total value of an organization's human resources (Zakaria, 2011; Kasmawati, 2017). The total value of human resources involves all staff in the organization and their ability to complete their work to succeed (Wang & Shieh, 2008). Good human resources can increase the achievement of BUMDes businesses. Previous research has shown that human capital affects organizational performance. For example, Fernanda & Sagoro's (2016) research on MSMEs found that limited knowledge due to low education affects the mindset in managing their business. Research (Dhar, Mutalib, & Sobhani, 2020) shows that

human capital can improve organizational performance at the Bank. However, research by Oktaviany & Raharjo (2019) and (Sari & Budiasih, 2016) shows that human capital does not affect organizational performance.

Another factor that affects the performance of BUMDes is organizational culture. In organizational life, it is inseparable from culture. According to Greenberg (2011), Organizational culture is a cognitive framework consisting of attitudes, values, norms of behavior, and expectations of organizational members, a set of basic assumptions held by members of the organization. The culture of a group can be interpreted as a pattern of assumptions learned by a group to solve problems both external adaptation and internal integration. Without a culture that encourages mutual trust between colleagues and is willing to share knowledge, organizational performance will not develop and even survive in various conditions (Nadhiroh, 2019). Research by Dwiningwarni & Dindah (2017) shows that organizational culture affects the performance of government organizations and research (Setiawati et al., 2021) shows that organizational culture affects the performance of MSMEs. But research (Fajri & Rangkuti, 2016) shows that culture does not affect performance in improving organizational marketing.

Apart from the two things above, entrepreneurial orientation is an important thing that BUMDes managers must have. According to (Prieto, 2010) Entrepreneurial orientation is considered to have a significant role in the success of a business so that the company can run healthily. Entrepreneurial orientation is a critical component in developing a business. The owners and managers in running their businesses have shown innovative, proactive, and courageous behavior in taking risks. Good entrepreneurial skills will encourage good business development and following the expected planning. Research of Jiwa & Madiarsa (2019) and Sanjaya & Saputra (2020) shows that entrepreneurial orientation has a positive and significant effect on business performance. However, research (Fernita & Aris, 2018) shows that entrepreneurial orientation does not affect the organizational performance of MSMEs.

Therefore, this study aims to analyze the effect of human capital, organizational culture, and entrepreneurial orientation on the performance of BUMDes in the Kampar Regency. Next, we will explain the relationship between the research variables

Human resources are human capital in organizations. Human resources are the knowledge, skills, and abilities of a person that can be used to produce professional services. It is in line with the attribution theory of Heider (1985) that a person's behavior is influenced by internal and external factors. Internal factors are called dispositional attributes, which indicate one's ability and motivation within a person. Therefore a person's abilities, knowledge, and skills can influence a person's behavior in managing the organization and affect their performance.

Human capital is a dispositional attribute that is the source of innovation and ideas (You et al., 2021). The availability of competent human resources is needed in various organizations to properly organize and manage BUMDes so that BUMDes can increase income and improve the welfare of the community. In line with research conducted by (Unger *et al.*, 2011) that there is a solid relationship between human capital and successful performance, human capital

(knowledge/skills) will affect organizational performance. That is supported by research by (Nugraha 2018) that individual capacity and individual motivation affect organizational performance, and (Wajdi *et al.*, 2018) research shows that human capital has a significant positive effect on the performance of MSMEs. Based on the above framework, it is hypothesized:

**H<sub>1</sub>: Human capital has a positive effect on the performance of Village-Owned Enterprises**

Organizational culture is one of the factors that can affect organizational performance. Strong organizational culture, both formal and informal values that are shared, have a positive effect on the behavior and performance of leaders and members of the organization so that they are strong in facing external and internal challenges of the organization.

According to attribution theory, situational attribution or external causes refers to the environment that influences behavior, such as social conditions, social values, people's views. Organizational culture is one of the external factors that influence someone to act, whether it can improve their performance or vice versa. An organizational culture that supports the organization's progress will increase the motivation of organizational members to achieve organizational goals and improve organizational performance.

Organizational culture becomes a code of ethics for its members, which is unconsciously applied in carrying out its activities. Organizational culture concerns commitment, loyalty, and trying to give the best at work. A strong organizational culture will create a superior organizational performance. That is also supported by Tanuwibowo & Sutanto (2014), which shows that organizational culture significantly affects organizational performance at PT Tirta Sarana Sukses. Research conducted by (Jiwa & Madiarsa, 2019) shows a positive relationship between organizational culture and performance. It can be concluded that organizational culture affects performance. Based on the framework above, it is hypothesized:

**H<sub>2</sub>: Organizational culture has a positive effect on the performance of Village-Owned Enterprises**

Entrepreneurial orientation is a very important component in developing a business. Entrepreneurial orientation is a combination of creativity, innovation, and courage in facing risks which working hard carries out to form and maintain companies and resources to seek opportunities for success (Cromie, 2008). Entrepreneurial orientation can be determined based on four dimensions: the need for achievement, self-confidence, independence, and ease to socialize will affect business growth. Organizations with a strong entrepreneurial orientation will have the ability to innovate in creating new ideas and providing customer satisfaction, improving customer service and satisfaction.

Entrepreneurial skills and ideas to develop a business, according to attribution theory, entrepreneurial orientation is one of a person's internal factors or dispositional attributes. Internal attribution explains that something that is inside a person is the cause of their behavior. Therefore, if someone has a high entrepreneurial orientation, he can manage his business well. Research conducted by Abbas (2018) and Mustikowati & Tysari (2014) shows that entrepreneurial orientation has a direct and positive effect on the performance of SMEs. The means that the

stronger the entrepreneurial orientation that is owned, the better the performance of SMEs. Baum et al.'s research in Endang (2017) states that entrepreneurial orientation directly affects business performance. Entrepreneurial elements such as achievement, self-confidence, independence, and ease of socializing will affect business growth. From the above statement, it can be concluded that entrepreneurial orientation has a positive and significant effect on business performance.

**H<sub>3</sub>: Entrepreneurial orientation has a positive effect on the performance of Village-Owned Enterprises**

## RESEARCH METHODS

This research was conducted at village-owned enterprises (BUMDes) in Kampar Regency. The population in this study was 242 BUMDes in Kampar District.

**Table 1. Operational Definition of Variables.**

Variable	Definition of variable	Indicators	Scale
Organizational culture	According to Robbins (2012) Organizational culture refers to shared meanings held by members that differentiate the organization from other organizations.	1. The behavior of the leader 2. Prioritizing the organizational mission 3. The learning process 4. 4. Motivation	Ordinal
Entrepreneurial Orientation	According to Carson (2008), entrepreneurial orientation is a combination of creativity, innovation, and courage to face risks by working hard to form and maintain businesses and resources to find opportunities for success.	1. Trying even though other people say it is impossible 2. Work until I reach the goals I want 3. Happy and helped by the presence of employees in running a business 4. Enjoy meeting new people in terms of growing my business 5. Always take the initiative to start the conversation first 6. Likes a lot of activity 7. Work hard	Ordinal
Performance of BUMDes	According to Sulistiyani (2003), performance results from optimal work performance carried out by a person, group, or business entity.	1. ROA 2. ROE 3. Revenue growth and sales return 4. Loyalty 5. Competitiveness 6. Stability 7. Customer satisfaction	Ordinal

The sampling technique used was purposive sampling with the criteria of BUMDes that were still active, namely 140 BUMDes. Respondents in this study were BUMDes managers. In this study, the data collection method used was a questionnaire. The questionnaire used in this study uses digital assistance, namely Google Form. The measurement scale used is a 5-point Likert scale (ranging from strongly disagree to strongly agree).

This study uses the dependent variable on the performance of BUMDes, and the independent variable on human capital, organizational culture, and entrepreneurial orientation. The operational definition of the variable can be seen in table 1. All variables were measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

The data analysis technique was carried out using the Structural Equation Modeling (SEM) approach based on Partial Least Square (PLS). PLS is a structural equation model (SEM) based on components or variants. Structural Equation Modeling (SEM) is a field of statistical studies that can test a series of relationships that are relatively difficult to measure simultaneously.

PLS has two stages. The first stage is to test the measurement model, which is to test the validity and reliability of the constructs of each indicator. The second stage is to conduct a structural model test which aims to determine whether there is an influence between variables/correlations between constructs as measured by using the t-test of the PLS itself.

A hypothesis that can be accepted or must be rejected statistically can be calculated through the level of significance. The level of significance used in this study is 5%. If the selected significance level is 5%, the significance level or the confidence level is 0.05 to reject a hypothesis

## **RESULTS AND DISCUSSION**

### **Results**

In Kampar District, there are 242 BUMDes, 216 of which are active, while 26 of them are categorized as inactive. Existing business units are savings and loans 159, 3 agriculture, 18 plantations, 116 trade, 6 fisheries, 20 livestock, 93 services, 12 village markets, and 8 tourism units.

BUMDes and BUMDes management data was obtained from the Village Community Empowerment Service (PMD) of the Kampar Regency. By using the Slovin formula, the number of samples taken was 140 BUMDes. The questionnaire was sent to the BUMDes manager by sending it directly to the BUMDes manager and some others sent the questionnaire in the form of a google form. This method was done because the research was carried out in an atmosphere of Covid 19, so researchers could not meet directly with research respondents.

Of the 140 questionnaires sent to BUMDes managers, 120 questionnaires were returned and processed. The characteristics of the participating respondents can be seen in table 2.

**Table 2. Characteristics of Respondents**

	Frequency	Percentage
<b>Sex</b>		
Male	73	60,8%
Female	47	39,2%
Total	120	100%
<b>Education</b>		
Junior High School	3	2,5%
Senior High School	55	46%
Bachelor	60	50%
Masters	2	1,6%
Total	120	100%
<b>Age</b>		
21-30 years	60	50%
31-40 years	43	35,8%
41-50 years	14	11,7%
> 50 years	3	2,5%
Total	120	100%
<b>Periode of Work</b>		
< 1 years	58	48,3%
1-5 years	49	40,8%
6-10 years	13	10,8%
Total	120	100%

Source: Primary data processed (2021)

### *Descriptive Statistical Analysis Results*

Descriptive statistics are intended to analyze data based on the results obtained from respondents' answers to each variable. Descriptive statistics consist of the mean, minimum, maximum, and standard deviation. The descriptive statistical analysis of the research variables can be seen in table 3.

**Table 3. Descriptive Statistics**

	N	Min	Max	Mean	Std. Deviation
Human Capital	120	1	5	3,97	0,827
Organizational Culture	120	1	5	4,14	0,822
Entrepreneurial Orientation	120	1	5	4,11	0,828
Performance of BUMDes	120	1	5	4,09	0,817
Valid N (Listwise)	120				

Source: Primary data processed (2021)

**Table 4. Combined Loading and Cross-Loading**

	HC	OC	EO	PB	P-Value
HC1	<b>(0.865)</b>	-0.260	0.169	0.146	<0.001
HC2	<b>(0.879)</b>	0.042	-0.117	-0.044	<0.001
HC3	<b>(0.851)</b>	-0.296	0.340	-0.288	<0.001
HC4	<b>(0.863)</b>	0.108	0.000	-0.130	<0.001
HC5	<b>(0.847)</b>	-0.332	0.060	0.179	<0.001
HC6	<b>(0.709)</b>	0.385	-0.542	0.166	<0.001
OC1	0.538	<b>(0.737)</b>	-0.385	-0.601	<0.001
OC2	0.236	<b>(0.848)</b>	-0.369	-0.299	<0.001
OC3	-0.111	<b>(0.856)</b>	-0.071	-0.063	<0.001
OC4	-0.114	<b>(0.885)</b>	-0.047	-0.103	<0.001
OC5	-0.158	<b>(0.800)</b>	-0.297	0.503	<0.001
OC6	0.150	<b>(0.804)</b>	0.103	0.493	<0.001
OC7	-0.396	<b>(0.777)</b>	0.255	0.021	<0.001
OC8	-0.148	<b>(0.826)</b>	0.403	0.035	<0.001
EO1	0.109	0.470	<b>(0.867)</b>	-0.124	<0.001
EO2	0.174	0.167	<b>(0.859)</b>	0.182	<0.001
EO3	-0.155	-0.020	<b>(0.784)</b>	0.596	<0.001
EO4	0.003	-0.038	<b>(0.860)</b>	0.423	<0.001
EO5	-0.203	0.013	<b>(0.822)</b>	-0.033	<0.001
EO6	0.018	-0.238	<b>(0.791)</b>	-0.541	<0.001
EO7	0.035	-0.393	<b>(0.826)</b>	-0.514	<0.001
PB1	-0.086	-0.261	0.146	<b>(0.793)</b>	<0.001
PB2	-0.353	-0.215	-0.024	<b>(0.815)</b>	<0.001
PB3	-0.026	-0.211	-0.022	<b>(0.804)</b>	<0.001
PB4	0.067	-0.097	-0.171	<b>(0.843)</b>	<0.001
PB5	0.351	0.161	-0.137	<b>(0.809)</b>	<0.001
PB6	0.009	0.316	-0.106	<b>(0.777)</b>	<0.001
PB7	0.078	0.115	0.178	<b>(0.873)</b>	<0.001
PB8	-0.112	-0.137	0.385	<b>(0.820)</b>	<0.001
PB9	-0.024	0.095	0.036	<b>(0.864)</b>	<0.001
PB10	0.093	0.238	-0.310	<b>(0.787)</b>	<0.001

Source: WarpPLS Processed Data (2021)

*HC= Human Capital, OC=Organizational Culture, EO=Entrepreneurial orientation, PB= Performance of BUMDes*

From the descriptive statistics in table 3, all variables show that the data distribution is not too large because the standard deviation is smaller than the average value. It shows that the data is good.

*Outer Model Testing Results*

In this study, the measurement of the outer model was measured through convergent validity, discriminant validity, and composite reliability, and Cronbach's alpha. Convergent validity and discriminant validity were used to test the validity of the questionnaire instrument used to obtain the required data. Convergent validity is used to see the extent to which the measurement results of a concept show a positive correlation with the measurement results of other concepts, which theoretically must be positively correlated. The individual reflexive measure is said to be high if it correlates more than 0.70 with the measured indicator is considered to have met the convergent validity requirements. However, according to Chin, 1998 (Ghozali, 2013), developing a loading value measurement scale of 0.5 to 0.6 is considered sufficient and can be said to be valid for the initial stage of research.

Each variable consists of several measurement indicators. The output results of combined loading and cross-loading (Table 4) show that the loading factor value of each construct is above 0.7 with a p-value <0.05. It shows that the indicator has met the convergent validity.

Furthermore, the discriminant validity test used to assess the extent to which the measurement results of a concept can distinguish itself from the results of measurement of other concepts theoretically must be different (Bambang & Lina, 2005). The discriminant validity test can be done by comparing the square root AVE of each construct which is greater than the correlation between other constructs in the research model.

**Table 5. Correlations among l.vs. with sq. rts. of AVEs**

	<b>HC</b>	<b>OC</b>	<b>EO</b>	<b>PB</b>
HC	<b>(0.838)</b>	0.342	0.542	0.475
OC	0.342	<b>(0.808)</b>	0.348	0.578
EO	0.552	0.398	<b>(0.830)</b>	0.683
PB	0.675	0.518	0.683	<b>(0.819)</b>

Source: WarpPLS Processed Data (2021)

*HC= Human Capital, OC=Organizational Culture, EO=Entrepreneurial orientation, PB= Performance of BUMDes*

The output results in table 5 show that the AVE square root of each construct is greater than the correlation value between constructs and other constructs. That explains that the indicators in the construct variables meet the requirements of discriminant validity. Discriminant validity can also be seen from the value of the cross-loading factor which is useful for knowing whether a construct has sufficient discriminant by comparing the loading value of the intended construct,

which must be greater than the loading value with other constructs. In table 4, it can be seen that the value of the block loading variable is greater than the value of the loading factor for the other blocks. It shows that the discriminant validity has been fulfilled.

To test the reliability is done by looking at the reliability value of the composite and alpha Cronbach. A construct is reliable if the value of composite reliability and Cronbach's alpha is  $\geq 0.70$ , and it is said to be ideal if the value of composite reliability and Cronbach's alpha is 0.80 or 0.90 (Ghozali, 2013). Reliability test results can be seen in table 6.

**Table 6. The results of the Composite Reliability and Cronbach's Alpha Test**

<b>Variables</b>	<b>Composite Reliability</b>	<b>Cronbach's Alpha</b>	<b>Explanation</b>
Human Capital	0.933	0.914	Reliable
Organizational Culture	0.937	0.923	Reliable
Entrepreneurial Orientation	0.940	0.925	Reliable
Performance of BUMDes	0.953	0.945	Reliable

Source: WarpPLS Processed Data (2021)

Based on table 6, each construct has met the criteria of being reliable and is said to be ideal because the value of composite reliability and Cronbach's alpha of each variable is  $\geq 0.90$ .

#### *Inner Model Test Results*

The next test is to evaluate the structural model (inner model), which aims to determine the model's suitability with the original data so that it can determine the quality of the model.

**Table 7. Result of Model Fit and Quality Indices**

	<b>Indeks</b>	<b>P-Value</b>	<b>Criteria</b>	<b>Decision</b>
<b>APC</b>	0.712	<0.001	P <0.05	Accepted
<b>ARS</b>	0.854	<0.001	P <0.05	Accepted
<b>AARS</b>	0.729	<0.001	P <0.05	Accepted
<b>AVIF</b>	3.056		AVIF <5	Accepted

Source: WarpPLS Processed Data (2021)

This study uses four measures of the fit model, namely Average Path Coefficient (APC), Average R-squared (ARS), Average Adjusted R-Squared (AARS), and Average Block Variance Inflation Factor (AVIF). APC, ARS, and AARS were used to measure the mean path coefficients, r-squared values, and adjusted r-squared values generated in the model.

The three measures of the fit model are estimated based on the p-value, which must be  $\leq 0.05$ . R2 is used to determine how much influence the independent variable has in influencing the dependent variable (Sholihin & Ratmono, 2013). Table 7 shows the results of testing the fit model. The APC, ARS, and AARS have been fulfilled, with a p-value <0.05. Furthermore, the

AVIF value is 3.056, which indicates that AVIF is less than 5, so it can be concluded that the structural model (inner model) is acceptable.

**Table 8. Result of Uji R-squared Coefficients**

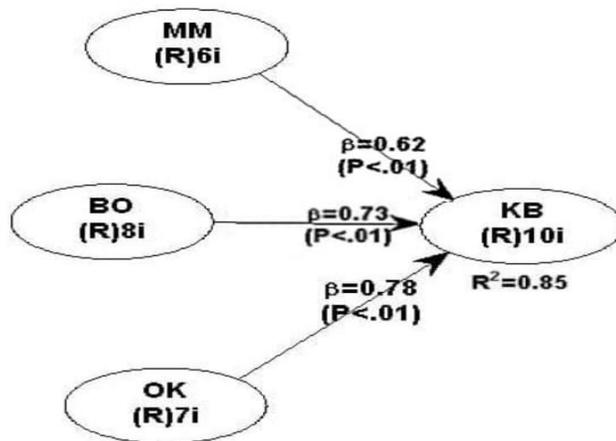
	<i>R-squared Coefficients</i>
Human Capital	
Organizational Culture	
Entrepreneurial Orientation	
Performance of BUMDes	0.85

Source: WarpPLS Processed Data (2021)

Based on the table 8, the R-Square value for the BUMDes performance variable is 0.85. These results indicate that 85% of the BUMDes performance variables. It was influenced by the variables of human capital, organizational culture, and entrepreneurial orientation. Meanwhile, the remaining 15% may be affected by other variables.

*Hypothesis Testing Results*

Hypothesis testing using PLS Warp begins withdrawing the model. Figure 1 shows the results of the PLS warp analysis, which illustrates the structural equation model



**Figure 1: Full Structural Equation Model**

*MM= Human Capital, BP=Organizational Culture, OK=Entrepreneurial orientation, KB= Performance of BUMDes*

The output path coefficient with the PLS warp can be seen in table 6. The path coefficient value is obtained from bootstrapping results between the independent variable and the dependent variable, which produces the t-statistic value in the PLS program.

**Table 6. Hypothesis Test Results**

Hypothesis		Path coefficient	p-value	Decision
H <sub>1</sub>	HC → PB	0,62	>0.001	Accepted
H <sub>2</sub>	OC → PB	0,73	0.001	Accepted
H <sub>3</sub>	EO → PB	0,78	>0.001	Accepted

Source: WarpPLS Processed Data (2021)

HC= Human Capital, OC=Organizational Culture, EO=Entrepreneurial orientation, PB= Performance of BUMDes

## Discussion

### *The Influence of Human Capital on the Performance of BUMDes*

Based on table 6, the coefficient value of human capital influence on BUMDes performance is 0.62 and p-value <0.001, these results indicate that the p-value (<0.001) is less than 0.05, so that hypothesis 1 (H1) can be said accepted. That shows that human capital has a significant positive effect on the performance of BUMDes in the Kampar Regency. It means that the higher the human capital of BUMDes managers, the higher the performance of BUMDes and vice versa, the lower the human capital, the lower the BUMDes performance.

When viewed from the recapitulation results of respondents' responses, human capital is in the relatively good category. The statement items that get high points are the division of tasks in BUMDes that have been adjusted to their respective expertise. That means that the expertise possessed by each manager will improve the performance of the BUMDes. Because the expertise possessed by each manager has been adjusted to the field of work in the BUMDes, this is relevant to attribution theory which explains that human capital is an internal factor that affects performance. Attribution theory emphasizes performance as an interpretation of individual thinking and behavior. Personal attribution will be focused on performance, where performance is defined as the achievement and achievement of individual work.

Human resources will affect individual productivity and can increase results and opportunities that contribute to business continuity. Every individual with quality human capital will show better performance in carrying out tasks to be more productive. Economically individuals with higher knowledge capital will provide benefits and create opportunities that lead to success and good performance.

This research follows previous research conducted by Ardiana et al. (2010) that human capital, such as the ability to manage a business, make the right decisions, and innovate, positively affects the performance of the organization/BUMDes. Good human capital can increase the achievement of BUMDes business. Therefore, human capital can create a good performance for BUMDes so that managers can develop and innovate.

This theory is also supported by (De La Fuente, 2011), which explains the relationship between human capital and economic growth built on the hypothesis that the knowledge and skills in humans will directly increase the productivity and ability of an economy to develop and adopt new technologies.

The results of this study also support the attribution theory (Heider,1985), especially concerning Dispositional Attribution, also known as internal causes, namely something in a person such as personal traits. These self-perception, abilities, etc., motivations cause someone to behave. Human capital is an individual's ability that will affect the way he works and the implementation of his duties.

This research follows previous research conducted by (Wirawan 2017), which concluded that human capital, such as managing a business and making the right decisions, has a positive and significant effect on organizational / BUMDes performance. Good human resources can increase the achievement of BUMDes businesses. Therefore, human resources can create a good performance for BUMDes so that managers can develop and innovate more.

#### *The Influence of Organizational Culture on BUMDes Performance*

Based on table 6, the coefficient value of 0.73 and the p-value of 0.001 shows that the p-value (<0.001) is smaller than 0.05 so that hypothesis 2 (H2) can be accepted. It shows that organizational culture has a positive influence on the performance of BUMDes, meaning that the better the organizational culture is than the BUMDes, the better the BUMDes performance.

When viewed from the recapitulation results of respondents' responses, organizational culture is in the reasonably good category. Statement items that get high points are being able to work together to carry out tasks to achieve BUMDes goals. It means that the cooperation created and implemented by the managers of each BUMDes member in completing tasks at BUMDes can ultimately achieve the goals and targets of the BUMDes. The collaboration that exists in the BUMDes makes this collaboration a work culture that improves the performance of the BUMDes.

Gibson et al. (2008) stated that organizational culture is the organization's personality that influences the way individuals act in the organization. Organizational culture is passed on to members of the organization as an organizational personality that distinguishes it from other organizations and determines how the group feels, thinks, and reacts to diverse environments and functions to overcome adaptation problems. Therefore, it can be concluded that organizational culture influences the performance of BUMDes. It means that if the organizational culture variable increases, the BUMDes performance variable will also increase.

This research is relevant to the study conducted by Aldhobaib (2020) that analyzes the interaction between the two concepts (known as culture-to-organizational conformity research). He concludes with the implication that the conceptual approach provides both cultural and people-environment-appropriate literature and a functional part of an organization.

According to (Adha et al., 2019), organizations are formed as forums for individuals to achieve specific goals. The effectiveness of an organization depends on the synergy or collaboration of individuals in a group of organizations. This synergy requires communication

that becomes a binding element between individuals in developing an organizational structure so that there is a linkage between individuals and others so that goals and objectives can be achieved. Attribution theory supports the influence of organizational culture on BUMDes performance. Organizational culture becomes a code of ethics for its members that is unconsciously applied in carrying out activities and has a high commitment to achieving the goals and mission of the organization. Situational attribution is an external cause that refers to the environment that affects behavior, such as social conditions, social values, people's views that can affect the organization.

This research is in line with previous research conducted by ((Suryana *et al.*, 2019) and (Tanuwibowo & Sutanto, 2014), which concluded that organizational culture has a positive and significant effect on performance. Organizational culture is believed to create motivation, innovation, and high commitment to achieve organizational goals.

#### *The Influence of Entrepreneurship Orientation on BUMDes Performance*

Based on table 6, it is obtained the coefficient value of 0.78 and p-value <0.001. These results indicate that the p-value (<0.001) is smaller than 0.05 so that hypothesis 3 (H3) can be accepted. It shows that entrepreneurial orientation can positively influence the performance of BUMDes in the Kampar Regency. It means that the higher the entrepreneurial orientation of BUMDes managers, the higher the performance of BUMDes and vice versa. The lower the entrepreneurial orientation of the managers, the lower the performance of BUMDes. The better the organization's entrepreneurial orientation, such as innovative behavior, proactive behavior, and risk-taking, the better the BUMDes' performance will be.

However, when viewed from the recapitulation of respondents' responses, entrepreneurial orientation is in the reasonably good category. The statement points that get the highest points are that BUMDes managers strive to give their best at work. It means that BUMDes managers have an entrepreneurial attitude, which provides a good role in achieving BUMDes goals and strives always to provide the best. This attitude is needed in entrepreneurial orientation because this attitude is very influential in improving the performance of BUMDes. It is also in line with (Lee, & Tsang, 2011), who state that entrepreneurial orientation affects performance. Furthermore, (Shu *et al.*, 2018) also conveyed that entrepreneurial orientation has a positive effect on performance. It is believed to be because entrepreneurial orientation plays a significant role in ensuring the success of business programs that are carried out and providing support and encouragement through entrepreneurial attitudes to achieve business success.

Zuhriyah (2014) explained that entrepreneurial orientation leads to customer-oriented behavior that will produce services and provide satisfaction to customers, which will impact increasing organizational income. It was further described that the entrepreneurial orientation of BUMDes encourages the improvement of BUMDes performance by seeking and responding to market needs and desires whose information is obtained from the market so that BUMDes can improve customer service and satisfaction.

The results of this study also support the attribution theory, which states that dispositional attribution is one of the factors that can influence a person's behavior. Entrepreneurial-oriented organizations will have better performance in implementing strategies efficiently to achieve a competitive advantage during competitive market competition. Attribution theory is relevant to

explain that entrepreneurial orientation is a factor that affects performance. (Abbas, 2018) explains that entrepreneurial orientation leads to customer-oriented behavior that will produce service and provide satisfaction to customers, which will impact increasing organizational revenue. Entrepreneurial orientation focuses on innovation, is willing to take risks, and is proactive. Daring to take risks is an attitude of courage to face challenges or be involved in a business whose possible outcomes are fraught with uncertainty.

This research is relevant to the study results conducted by Wales (2019) that entrepreneurial orientation has a positive effect on organizational performance because it will provide development and outline the potential role of organizations in future studies. Entrepreneurial orientation was also considered an organizational attribute based on psychometrics in surveys. The analysis of organizational communication content and contextually specify observations of entrepreneurial organizational actions.

The results of this study support the research conducted by (Kumalaningrum 2012) that entrepreneurial orientation has a positive and significant effect on the performance of BUMDes. Likewise, the research results (Jiwa & Madiarsa, 2019) found a positive and significant influence between entrepreneurial orientation on the performance of MSMEs, where entrepreneurial attitudes play an excellent role in working to achieve goals and always try to give the best.

## CONCLUSION

The study results concluded that human capital has a positive effect on the performance of BUMDes in the Kampar Regency. It explains that the knowledge and expertise possessed by managers and applying them will further improve the performance of BUMDes. Organizational culture has a positive effect on the performance of BUMDes in the Kampar Regency. It shows that commitment, loyalty, and trying to give the best in implementing organizational culture will further improve the performance of BUMDes. Entrepreneurial orientation has a positive effect on the performance of BUMDes. It explains that creativity in innovating, being proactive, and having the courage to take risks and work hard will further improve the performance of BUMDes.

This research is inseparable from the limitations of which the research object is still limited to BUMDes in the Kampar Regency. The variables of this research are also still limited, while many other variables may affect the performance of BUMDes, such as innovation, leadership style, and so on. Therefore, further research can expand the research area. Future researchers can also use other variables that can affect the performance of BUMDes.

This research has a contribution to BUMDes in improving its performance. BUMDes can increase the capacity of human resources, raise a good culture in the organization and foster an entrepreneurial spirit to improve the performance of BUMDes.

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