

# **Human Resources Competence as a Link to the Effect of Strategic Planning on Company Performance the Regional Drinking Water Company**

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## **Abstract**

This study aims to examine the Competence of Human Resources as a liaison of the influence of strategic planning on company performance. This research is a research with primary data based on a questionnaire distributed to the leadership of Regional Water Company in Indonesia. The sampling was carried out randomly with representatives of each region from PDAM in Indonesia, the sample, research consisted of 61 samples representing the four regions. The analysis method used was smart PLS. The results of this study indicate that HR competence has a strong relationship in influencing strategic planning on company performance

## **Keywords**

HR Competence, Strategic Planning, and Company Performance.

## **1. Introduction**

Having good company performance is something that is highly expected for a company because good company performance has an impact on the sustainability and sustainability of the company. That is why various efforts and strategies are carried out by the company's management to improve company performance. The results of work or performance need to be measured so that the company knows where the achievements have reached with existing resources. Proper performance measurement will increase the "value" for the company (Nazaruddin, 2000). Performance is an effort made to produce achievements from things that have been done before, performance means understanding what is being done and how to do it. For this reason, competent human resources are needed following the fields of expertise and fields needed. Strategy is determining the right human resources is a factor that affects performance. Proper management of human resources has a positive influence on company performance (Iskandar, 2018; Mora, et al., 2020). Competent human resources have a very important role to support the improvement and achievement of company performance. Organizations that are dynamic and have competitive human resources are urgent things that must be considered by *companies* (Latief, et al., 2019; Syardiansah, et al., 2020; Suharyanto, et al., 2020).

The management of existing resources in the company as well as possible (efficient and effective) following the goals set by the company will greatly affect the company's performance (Hernendiastoro, 2005), the same thing was also conveyed by Siahaan, (2017) which states that the level of efficiency and competence of human resources has a positive effect on the company's performance, but the equity participation does not affect the company's performance. Efficiency measurement can be done if the company has a good planning. Strategic planning is a guide for companies in carrying out their activities. However, many companies do not have a good and clear strategic plan, even though from the strategic plan we will be able to analyze and evaluate what has been and will be done next. The better the strategic planning of a company, the better the company's performance, which in turn will be able to create a competitive advantage (Asmarani and Estika, 2006; Hidajat et al., 2021).. Increasing competitive advantage requires

management to always be accurate in planning, in addition, management must know what is desired, what needs are needed, and how to achieve it, maintain an ever-changing environmental condition (Nazaruddin, 2000).

Likewise, the Regional Drinking Water Company (PDAM) is a red-plated company in the form of a regional-owned business entity good performance is highly expected, considering that PDAM is a monopoly company in terms of providing clean drinking water. The emergence of regulations issued by the Government based on Law number 23 of 2014 concerning the objectives of local governments in establishing BUMD there are three, namely supporting or providing the regional economy, providing public benefits related to goods and services, and seeking profit, but in reality, there are many PDAMs that are in poor condition. This condition certainly has an impact on services to the community, PDAM services are considered bad by the community ([www.wartaekonomi.co.id](http://www.wartaekonomi.co.id)). Many PDAMs are 'sick'. The Director of PDAM Tirta Raharja, Bandung Regency said that there are still many PDAMs that are not healthy, this is due to the lack of support from the local government and weak human resources. ([www.republika.co.id](http://www.republika.co.id)). This scientific article aims to examine whether HR competence is the link between the influence of strategic planning on the performance of PDAM companies in Indonesia.

## 2. Literature Review

According to the Goal Setting Theory proposed by Locke (1968) that specific and measurable goals with performance have a direct relationship. This theory states that individuals will be better able to achieve their performance when given clear and specific goals and at the same time a person must also have sufficient ability (competence) in accepting the goals set and receiving feedback related to performance (Latham 2003). Definition of Human Resource Competence Human resource competencies are competencies related to knowledge, skills, abilities, and personality characteristics that directly affect their performance (Mangkunegara, 2012). According to Hutapea, (2008) HR competencies can be measured through (1) knowledge possessed in the form of knowledge of their duties and responsibilities, (2) skills related to the ability to complete tasks, problems, priorities, and abilities in providing services, (3) work attitude which includes creativity, morale, and ability in making organizational plans.

### 2.1 Definition of Strategic Planning

Strategic Planning according to Arasa and K'Obonya (2013) is a systematic and formal effort of a company to determine company goals, rules, and strategies that involves making detailed plans to implement rules and strategies in achieving the company's main goals. The main dimensions of a strategic plan are vision and mission, employee participation in carrying out the strategic planning process (Warbal et al. 2018). Measurement of the success of strategic planning can be seen from several things, namely (1) determining the company's goals and objectives, (2) business environment analysis, (3) strategic issue analysis, evaluation and selection, (4) development and implementation, evaluation and control system (Arasa and K'Obonya 2013).

### 2.2 Understanding Company Performance

According to de Oliveira et al. (2019) The company's performance is the result of many individual decisions made continuously by management. The term performance is generally used to describe or the whole Action/activity of an organization in a certain period based on the amount of past or future costs based on efficiency, management responsibility/accountability, and the like (Srimindarti, 2004). Company performance can be measured in various ways, one of which is the balanced scorecard approach. According to Luis and Biromo, (2007) company, the performance measurement using a balanced scorecard is good because the measurement with this approach focuses on financial and non-financial aspects. Article 59 of the Minister of Public Works No.18/PRT/M/2007 states that the principle of the balanced scorecard includes four perspectives, namely (1) financial perspective, (2) customer perspective (service), (3) internal business process perspective (operational) (4), learning and growth perspective (human resources). Furthermore, the influence of strategic planning on company performance with HR competence as an intervening variable can be seen in the following Figure 1:



Figure 1. Theoretical Framework

Referring to the theory and figure 1, the research hypothesis can be raised. The hypothesis is:

1. Strategic planning affects the company's performance.
2. Strategic planning through HR competencies has an influence on company performance.

### 3. Methods

This study is causal research that examines and evaluates the effect of strategic planning on company performance by becoming HR competencies as an intervening variable. Using primary data as the main data obtained from the distribution of questionnaires to the leadership level in 61 PDAMs in four regions in Indonesia, namely region I covering Sumatra and Aceh, region II the entire island of Java, region III Sulawesi and Kalimantan, and region IV covering Papua, Maluku, NTT, NTB, and Bali. Data analysis of this research uses Structural Equation Model (SEM) data processing device in this research equation model using Partial Least Squares (PLS). Acceptance or rejection of the hypothesis in the study can be seen from the significant value that has been tested previously.

Hypothesis testing is done by looking at the probability and statistical values. For probability values, the p-value with 5% alpha is less than 0.05. The t-table value for 5% alpha is 1.96. So the criteria for acceptance of the hypothesis is when  $t_{\text{statistics}} > t_{\text{table}}$ . Hypothesis testing can also be based on the path coefficient and total effect of the research variables. Testing the significance of these effects was carried out using the bootstrapping method. If this value is statistically significant, then the research hypothesis is accepted.

### 4. Results and Discussion

Before the results of the study, researchers had ensured that the data had met the loading factor elements that met the criteria. In most references, a factor weight of 0.50 or more is considered to have a strong enough validation to explain the latent construct (Hair et al, 2010; Ghozali 2008)

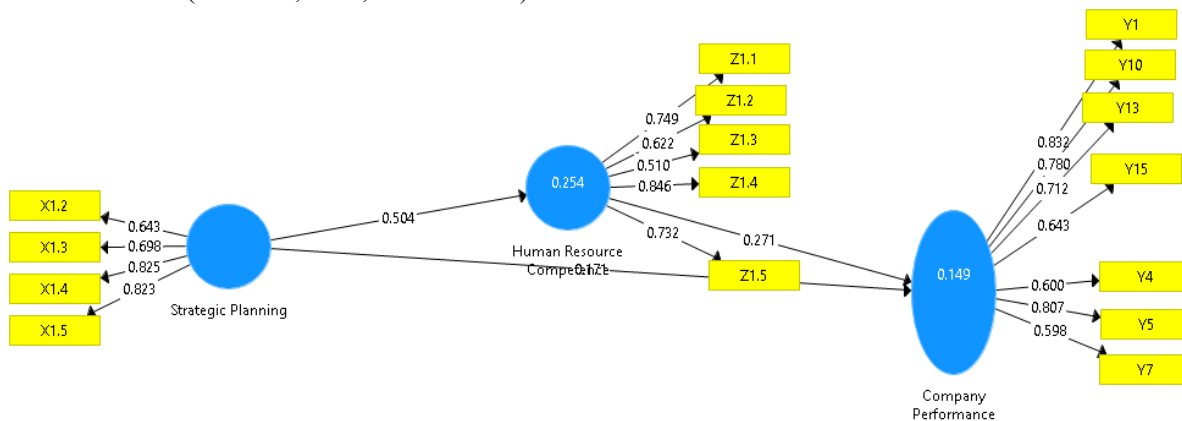


Figure 2. Path Diagram

Discriminant validity can be seen from the Average Extracted (AVE) value. Table 1 shows the magnitude of the AVE value (Figure 2). Each variable AVE value is a value that shows that all indicators have become a good comparison for the latent variables. The expected AVE value is  $> 0.5$ , it can be said that the discriminant validity of this data is considered feasible (Table 1).

Table 1. The Results of Data Processing

| Indicator                | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|--------------------------|------------------|-------|-----------------------|----------------------------------|
| Company Performance (Y1) | 0.828            | 0.916 | 0.864                 | 0.525                            |
| HR Competency (Y2)       | 0.735            | 0.769 | 0.826                 | 0.494                            |
| Strategic Planning (X)   | 0.746            | 0.808 | 0.835                 | 0.563                            |

Source: Results of data processing (2021)

Table 2 shows the correlation value/path coefficient between one latent variable and another. The path coefficient column in the table shows the value of each hypothesis, while the t arithmetic column shows the significant level of

the relationship between latent variables, in other words, the significant relationship can be seen if the t count value is greater than the t table, namely 1.96.

Table 2. Path Coefficient and t Value Calculated by Intervening

| Hypothesis     | Line   | Path Coefficient | Value t Count |
|----------------|--|------------------|---------------|
| H <sub>1</sub> | Strategic Planning (X) -> HR Competence (Y <sub>1</sub> )                        | 0.504            | 6,718         |
| H <sub>2</sub> | HR Competence -> Company Performance   | 0.271            | 1.024         |
| H <sub>3</sub> | Strategic Planning -> HR Competence (Y <sub>1</sub> ) -> Company Performance (Y) | 0.171            | 0.728         |

**Source:** Results of data processing (2021)

The results of this study indicate that the first hypothesis answered, that there is an effect of strategic planning on the company's performance with an at-count value of 6.718 while the t-table is 1.96. This shows that to get good work results to need good planning as well. Planning is a guide that is used as a guide for all components of the organization to achieve goals. The vision and mission as well as the company's goals are important to be determined and known by all parties involved in improving the company's performance, but evaluation of external opportunities and threats must also be a priority for management to do. Sometimes the monopoly that seems to be a strength for the PDAM will become a threat because the PDAM ignores the innovation and creativity that should continue to be carried out. Feeling that they have no competitors, PDAM forgets to evaluate the company's external developments. Currently, people are increasingly understanding the importance of clean water that is safe to drink with quality that meets health standards. The providers of healthy clean water treatment machines are starting to target consumers who are already aware of the benefits of clean water and the risks that will be accepted if the water consumed so far is not fit for drinking. The percentage may not be large compared to the number of PDAM customers that are currently registered, it is not impossible that in the future the community will only have to pay a subscription for the water account they use because they mostly use water that has been treated with machines even though the price is more expensive than the account payment. PDAM bill. This situation is of course very concerning. If more and more people are aware of the importance of clean water, then their financial inability will try to buy a machine even though they have to go into debt. Therefore, PDAM needs to evaluate the opportunities and threats to improving future planning.

## 5. Conclusion

Organizational effectiveness is also a concern in planning, the length of bureaucracy in the services provided by PDAM stems from the ineffectiveness of the existing organizational structure. PDAM can use a simple organizational structure in Top Management but enlarge the responsibility at the technical level. PDAM should continuously evaluate opportunities and threats to improve future planning.

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## **Biographies**

**Wardayani** is a Director at the Sukma College of Management in Medan and a lecturer at the same university. He has teaching experience from 2004 until now with a focus on accounting. In addition to teaching, I am also a competency assessor in the accounting field with a register number nomor000.003539 2017. I published a book about Learning Accounting without any hassle in 2019. I got the IPR on the book. Winner of the 2017 Textbook Incentive Program Various local and international journals published my articles. In addition, I am also active outside campus activities as deputy secretary of the Education Quality Assurance Team for the province of North Sumatra, as a member of the Medan city research council, and active as deputy secretary at the Medan City Traditional Institute communication forum.

**Azhar Maksum** is a professor at the Faculty of Economics and Business, the University of North Sumatra with a focus on management accounting, completing his doctoral education in School of Management, the University of Sains Malaysia, Penang, Malaysia, Served as Dean at the Faculty of Economics and Business, University of North Sumatra. Being a Reviewer at the Research and Development Agency for the Provincial Government (BPP) of North Sumatra. And became a speaker at several seminars related to accounting. A book ever published with the title Advanced Financial Accounting – I Revised Edition (2013). Articles scattered in various reputable local and international journals.

**Erlina** is the head of the Accounting Science study program as well as a lecturer at the postgraduate program at the Faculty of Economics and Business, University of North Sumatra. His experience was as a consultant in the preparation of the Local Government Support Program - USAID training module. Financial Consultant in Several Regencies/Cities in North Sumatra and NAD. Head of the World Bank Research Team for Measurement of Local Government Performance in North Sumatra and NAD, Editor of the Journal of Organizational and Behavioral Research, Supervisory Board of the Health Polytechnic, Technical Implementation Unit of the Ministry of Health. He also published several books, namely Regional Financial Management and Accounting, Accrual-Based Regional Financial Accounting. His research that has IPRs include Regional Financial Management and Accounting with copyright number C00201601450 in 2016, Accrual-Based Regional Financial Accounting with copyright number C00201601445, Public Sector Accounting for Regional Working Units C002016 with copyright number C00201601445 (SKPDATT 2016). Winner of the 2017 Textbook Incentive Program.

**Rina Bukit** is a Lecturer at the Faculty of Economics and Business at the University of North Sumatra, completing her Doctoral Degree in Business Administration in France. In addition to teaching, she is often involved in the selection committee for BUMD Directors in North Sumatra Province.