

## ***Budget Participation on Managerial Performance: Related Factors in that influenced to Government's Employee (Study of Indonesian Local Government)***

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### **ABSTRACT**

This study aims, first, to examine the effect of participative budget on managerial performance, and to examine the indirect effect of commitment and motivation as intervening variable. Second, it aims to examine the effect of leadership style as a moderating variable in the relationship between participative budget and commitment.

The data collected by survey questionnaires. One hundred and fifteen middle level managers, who were randomly chosen from local government's employee in Indonesia, are participated in this research. Partial least Square (PLS) to run a structural equation modeling (SEM) technique was employed to analyze the data.

The finding showed that participative budget does not significantly influence managerial performance. Participative budget increases the managerial performance through the increase of commitment, which has a significant, positive effect on motivation. Furthermore motivation also has a significant, positive effect on managerial performance. Leadership style moderates the relationship between participative budget and goal commitment.

**Keywords:** budget participation, commitment, leadership style, motivation, managerial performance

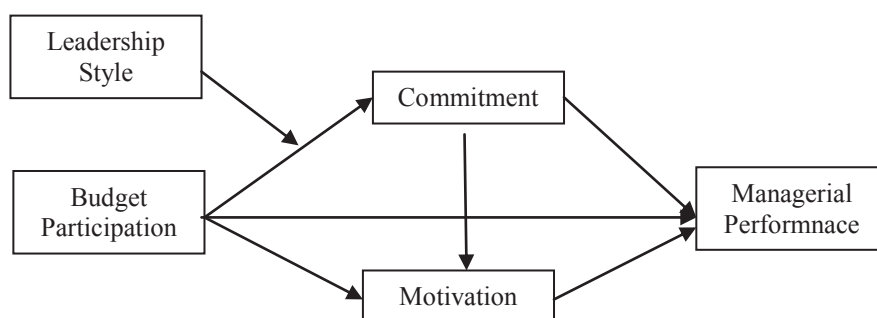
### **Introduction**

Budget is planning tool managerial in the form of finance. The budget is also the management tools to perform control, coordination, communication, assessment work, and motivation (Merchant in Libby, 2001). The budget contains activities to be performed during the period specified time as reference organizational activities and show the purpose operation (Wheelen, 2004). Understanding the purpose budget and information about how many purposes budget to give the basis for managers to measure efficiency, identify problems, and control costs.

Budget function as the basis of performance measurement can affect behavior manager for the purpose of the budget. While Argyris( 1952 in Bimberg and Shields, 1989) examine how the budget process can affect performance. Research is then gave rise to other studies on behavioral aspects in the budgeting process for example, leadership style (Brownell, 1982), task uncertainty (Hirst, 1987), behavior manager (Merchant, 1991), the influence of motivational (Latham and Steele, 1983), justice perception (Wenzel, 2002) and commitment to the purpose (Chong and chong, 2002). Research on top provide the impression that managers in preparing budget consider the side of human behavior that has a major influence the achievement of the target budget in the budgeting process.

As state above one aspect of budgeting process is the leadership style. Leadership style related to the way that is used by the manager to set, affect employees in order to the achievement of corporate objectives (Suripto Samid, 1995). Leadership style used by the manager will affect the employee motivation for the achievement. By using the research results Denis Murray (1990) and research Christine M Shea (1999), this study using three psychological factors that is motivation, commitment to the purpose and leadership style. The three variables are using as intervening and moderating variables in the relationship between the participatory budgeting and managerial performance.

Based on the above description, researchers compelled to examine whether the preparation of participatory budget can affect the managerial performance on the local government. With the goal theory of Locke that has been used by Dennis Murray want to how much influence of participatory budgeting to the commitment to the purpose and how much influence of leadership style of the relationship participatory budgeting with the commitment to the purpose. Furthermore, how the influence of participatory budgeting, commitment to the purpose and motivation on the managerial performance either partially or simultanly. In this article will be reported things as figure follows.



**Figure 1. Research Model**

## Literature Review

### **Budget Participation**

Participation budget is the involvement of managers or subordinates in the budgeting process. To measure the participation of budget used instruments developed by Milani (1975). Participation in budget setting can inspire the enthusiasm of the managers. Then they will intend to input more energy and time into the work to meet the budgets target. According to Siegel and Marconi (1989), participation in budgeting have weakness and excellence. Excellence of this participation is one of condition which is increase organization performance. Weakness of this participation is also gave attention, which is can cause disfunctional behavior, such as individu create budgeting gap.

### **Commitment**

Commitment in this research is focused to Goal commitment which is defined as determination to reach goal (Locke & Latham, 1990). Goal commitment its self refer to definition which is then stated by Hallenback and Klaim (1987) as a combination from definitions that suggested before by Locke, Shaw, Saari, Latham (1981), also Campion and Lord (1982) who shown the extent of business, over times toward achievement of pervious goal and there is no will to throw or reduce the goal (Wright and Kelly et all, 1994). Level of Manager's commitment is measured by using three question items, according to Latham and Steele (1983). These measurement shown how this manager had commitment to the main goal of budgeting and how to acieve this budgeting

### **Leadeship Style**

Leadeship Style is a leader's style of providing direction, implementing plans and motivating people. There are many different leadership style that can be exhibited by leaders in the political, business and other fields. Leadership style also defines as the manner and approach or providing direction implementing plans and motivating people. As seen by the employees, it includes the total pattern of explicit and implicit actions performed by their leader (Nestrom, Davis, 1993). The firs major study of leadership style was performed in 1939 by Kurt Lewin who led a group of researchers to identify different style of leadership (Lewin, Lippit, White, 1939).

### **Motivation**

Motivation by Robin (2003) is defined as the process that produces an intensity, direction, and perseverance individual in an attempt to reach of the goals. Managerial Performance managerial performance include the level skills manager in implementing the management activities which includes planning, organizing, investigation, setting, negotiations, representatives, supervision, and evaluation. Measurement of managerial performance by using instruments developed by Mahoney et al.( 1963).

### **Managerial Performance**

Managerial performance covers level of manager skill in order to management activites which is involved planning, organizing, investigation, ruling, negotiation, delegation, monitoring and evaluation. In other words, the performance criteria for manager;s behavior at work. Assesment of managerial performance is using instrument that developed by Mahoney et al. (1963).

## Research Method

### **Data Collecting and Sample Determining**

Primary data in this research is using questionnaire with population in this research is random middle manager in Indoensia Local Government. Secondary data for this ressearch is based on literature, interviews and other sources such as book, internet and related department.

### **Method of Data Analysis**

Data obtained from the questionnaire were analyzed using tables, simple percentages, cross tabulations, charts, Pearson's Product Moment Correlation (PPMC). Data which contain variables were measured using a 5-

point Likert scale (Malhotra, 2010) In order to effectively carryout inferential analysis, the items coded for descriptive analysis were transformed into dummy variables Statistical computation was done with the aid of SPSS 17.0 for Windows.

## Result and Discussion

From the research hypothesis which states that participatory budgeting positive influences on the performance of managers. From the test results with the PLS seen that the influence of participatory budgeting not significantly to the performance manager. The test results is not consistent with the research results Merchant (1981, Brownell (1982), Nur Indriantoro (1993), and Furcot Shearon (1991). But this study gives the same results with the results of research Milani (1975), Kenis (1979), Brownell and Hirst (1986).

Research Milani (1975) states that the preparation of the budget participatory expected to improve performance manager because in accordance with the theory goal setting (Locke, 1990), ie when a goal made together, then each will feel have a sense of responsibility to achieve it, so that the performance increase. The results are descriptive can be said that the overall participation of budgeting in Aceh government has an average of 3, 2 of scale of 5 points. As that participation rate is in the preparation of the budget in Aceh government in Indonesia in the medium category. Participation in terms of the manager without asked to propose opinion, the demand- and advice is still under the number 3. So also participation in terms of your boss asked the opinion on the current manager budget being made.

Effect of Participatory Budgeting commitment on the purpose of participatory budgeting significant effect on commitment to the purpose and have a positive relationship. The correlation value between the participatory budgeting with the commitment to destination in this case including low correlation. These results support research results Chong and Chong( 2002) is also research Wentzel( 2002). This means that the higher level participation in the preparation of budget will increase the commitment to the purpose. In the participatory budgeting indicator of the most prominent is often whether or supervisor manager asked the opinion proposal when the budget being made. This suggests that the boss is still dominant in the manufacture of the budget.

Commitment on the purpose had positive influence on the Manager performance. Commitment on the purpose shows the extent of effort, all the time (over times) in the direction of the achievement of the original target and the absence of the desire to throw or reduce the target. Thus can be interpreted that the commitment to the purpose on a company is the managers willing to achieve goals, it is important to achieve goals and have a great effort to achieve it.

The results does not support research by Wenzel (2002) stating that commitment to the purpose effect on the performance of managers. But this study supports research by Windu Mulyasari (2004) and research by Chong (2002) that the commitment to the purpose is not directly affects performance of manager. According to Murray (1990) put forward as follows" If an individual becomes a dedicated to a given goal, it will influence the individual's actions and consequently performance". Furthermore, Locke at al. (1981) explained that in theory goal setting relationship participation and performance manager for the factors motivational effect directly, while the cognitive factors affect indirectly. In this commitment to the purpose is not directly affects manager performance, but it can affect the motivation

From the results of data processing can be seen that participatory budgeting influential not significantly to the motivation. Interpretation of these results is that the higher participation rate, the higher motivation manager to achieve target. It supports the opinion Murray (1990), which states that the higher participation, the higher commitment to the purpose and the increase motivation for further improve performance.

From the hypothesis sixth can be concluded that motivation positive influence on the performance of managers Motivation by Robin (2003) is defined as the process that produces an intensity, direction and perseverance individual in an attempt to reach of the goals. Another definition said that motivation is a degree of a person individual want to and trying to implement good job (Mitchel, 1982). Interpretation of these results that in the company managers are motivated because committed to achieve a target the budget has been made to participate. Motivation an increasing will significantly influence the performance of the managers. This relationship is a positive relationship so that included in the category moderate correlation. From these results can be concluded that motivation positive influence on the performance of managers.

Effect of budgeting parisipasi on the performance of managers through the commitment to the purpose and motivation can be explained to do as follows. Effect of participatory budgeting to the commitment to the purpose has been described, which is participatory budgeting significant effect on commitment to the purpose. Instead, the influence of commitment to the purpose of the motivation is as follows. Effect of Commitment on the purpose of the motivations for data processing is known commitment to the purpose positive effect motivation. From the hypothesis testing can be explained that the commitment to the purpose is expected if committed on the purpose will increase motivation. Interpretation of these results can be expressed that the commitment to corporate objectives seen as an individual desires( manager) to do, run, and apply a policy has been set together so motivated to achieve the purpose. Thus can be interpreted that the commitment to the

purpose on a company is the managers willing to achieve goals, it is important to achieve goals and have a great effort to achieve it.

Leadership Style is as a moderating variable against the relationship Participatory Budgeting and commitment. To testing purposes hypothesis states that the leadership style moderate the relationship participatory budgeting with the commitment to the purpose. It can be seen from the results of data processing that the interaction variables affect the commitment to the purpose According to M. Khalifa and Liu, 2005, a variabel can be said as a moderating variable if the variable significant interactions. This study support the opinion Murray (1990) stating that leadership style as a moderating variable on the relationship participatory budgeting and commitment to the purpose. Interpretation of these results showed that participatory budgeting can not directly improve the commitment to the purpose, will leadership style encourage managers are committed to the purpose with a leadership style transformational. From these results can be said that the higher participation in the preparation of the budget in the style of transformational leadership, it will increase the commitment to the purpose.

### Conclusion

This study investigates the relationship between the participatory budgeting with the performance of managers with the intervening variable commitment to the purpose and motivation. Instead, variable leadership style as intervening variable variable. Overall results of this study can be concluded as follows.

1. The directly influence from the participatory budgeting to the variable motivation and performance of manager is insignificant, but an influence on commitment to the purpose significant.
2. Variable leadership style significantly moderates the relationship between the participatory budgeting and commitment to the purpose.
3. Effect of participatory budgeting through the variable commitment to the purpose as an intervening to the performance of managers is small, while through the motivational variables as intervening variables significantly.

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