

Effect of Budget Emphasis and Motivation on the Relationship between Participative Budgeting and Budgetary Slack and the Impact on the Managerial Performance (A Study on Yayasan Pendidikan Dan Koperasi in the Banten Province)

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Abstract

There is a budgetary slack in the budget preparation of Yayasan Pendidikan dan Koperasi in the Province of Banten. The slack was allegedly due to the managerial performance appraisal standards by achieving budget targets, where the owner (employer) applying a standard budget by budget emphasis, and the presence of adverse selection, that is the manager and other insiders know more about the state and prospects of the institution, and also because of the moral hazard, where that manager acts without the knowledge of the shareholders or owners of the company. Path analysis was used with partial least square (PLS) on the answer from 93 people who are members of budget drafting team in each organization as respondents through questionnaires. Results of data analysis showed that the level of budget emphases on the relationship between participative budgeting and budgetary slack is 30,1%, the remaining 69,9% are other variables that are not described in this study. To improve the effectiveness of the budget, the management should devolve authority, evaluate and ensure that the budget drafting team has considered the overall budget emphasis, as well as measuring managerial performance in determining the planning and budgeting.

Keywords: Participative budgeting, Budget Emphasies, Motivation. Managerial Performance

1. Introduction

According to Yuhertiana (2009), in a very strong paternal culture of government, an officer will be looking for ways to "give something" to the subordinates. One way that can be done is to submit an excessive budget. In the behavioral theory of the budget, this is known as the *budgetary slack*, i.e. the tendency to behave unproductively by overestimating cost when an employee filed a budget. Thus it is possible to make fictitious SPJ (Letter of Accountability) and budget mark-up will be even greater. In the field of accounting, the planning stage has been of concern to some researchers, mainly in relation to issues of budgetary slack, and participative budgeting (Mardiasmo, 2001; Henrika and Mardiasmo, 2002; Yuhertiana, 2004). Yuhertiana (2004) found that participative budgeting is still a pseudo. On the other hand, the budgetary slack being found is still quite large in amount.

Behavioral issue in the aspects of the ratification of the budget is very common with political nuance. Conflict of interest between the executive and legislative often happens, a tough stage that caused delays in local government budget (APBD) approval.

Many local government budgets in Indonesia, whose ratification been delayed, among others are Pemko Tanjung Pinang (Sinar Harapan, January 31, 2009), Cimahi (pikiran-rakyat.com, December 31, 2008), Sumenep (suarasurabaya.net, January 26, 2009). Even according to the Minister of the Internal Affairs, in 2008, only 22 of the 33 provinces provincial budget completed on time. (Pos Kota, October 29, 2008). Of course this causes disruption delay ratification of the next budget process is more crucial, which embodies the realization of development programs for the benefit of the people.

The above phenomenon is a condition that occurs in government agencies, and is also happening in the companies and other public sector organizations in which the organization is implementing performance assessment based on the achievement of the budget. Economic globalization is characterized by increasingly intense competition, forcing managers to be able to improve and maintain performance in order to survive in the competition, so it requires an evaluative tool subordinate managers which emphasizes on accounting performance measures (Ross, 1994). Furthermore, researchers in the field of management accounting suggests that budget emphasis according to (Hirst, 1981.1983; Merchant and Manzoni, 1989) in the very emphasis on the operational aspects of accounting performance measures such as budget targets, in addition to the importance of cost control (Kenis, 1979) as performance criteria or managerial performance. These sizes can be said to be more objective and acceptable logically subordinate of the evaluation tools that put more emphasis on non-accounting measure, because the size of the non-accounting in practice tend to have difficulty in measurement because it is too subjective.

According to Dunk (1993), the main argument for the agent (subordinate) is trying to create budgetary slack to get compensation in the future. If the subordinate considers the award as the dependent variable in the budgeting, they will try to create budgetary slack through the budgetary process. (see: Lowe and Shaw, 1968; Schiff and Lewin, 1968, 1970, Waller 1988). So the budget emphasis in performance evaluations take effect in creating budgetary slack (Baiman and Lewis, 1988).

Due to the suppression of the budget by superiors to subordinates, there is a performance evaluation tool based on the achievement of budget targets, in contrast to the opinion of Baiman and Lewis (1988), Ridgway (1956) is more focused on accounting system that is often a source of information in assessing employee performance. Previously, they are typically the main source of official information in business organizations. Therefore, employees have reason to be concerned about the budgetary basis of accounting (Ridgway 1956), which give the appearance of the problem of participation in the budgeting process. The use of field studies to examine the correlation between budgetary participation and performance of employees, Brownell and McInnes (1986) found a significant correlation, although Kenis (1979) and Milani (1975) found it not significant.

The budget that has been prepared to have a role as a planning and budget performance criteria are used as a control system for measuring managerial performance (Schiff and Lewin, 1970). To prevent the impact of functional or dysfunctional, attitudes and behavior of members of the organization need to be involved in the preparation of budget management at a lower level (Argyris, 1952).

Behavioral accounting research in the field of management accounting is dominated by the two conceptual underpinnings of the behavioral theory of behavioral organizational and agency theory that are based on economics (Shield and Young, 1993 and Kren, 1997). Since the 1970s, many studies have raised issues about the motivational aspects in the design of management accounting. Organizational behavior theory which is widely used in the design of the study was the theory of work motivation with his supporters. According to Luthans. F. (1998), in general there are 3 (three) categories of the labor theory of motivation: 1) Content Theories, which explains what a person's motivation in work; 2) Process Theories (Expectancy Theories), which is more focused on the factors that influence the cognitive processes someone to work as well as 3) Contemporary Theory. Content Theories consist of Maslow's Hierarchy of Need; Herzberg's Two-Factor Theory and Alderfer's ERG Theory. Process theory is a theory of motivation proposed by Vroom and Porter and Lawler, whereas Contemporary Theories consist of Equity Theory and Attribution Theory. According to Leslie Kren (1997), of the various theories of motivation, work motivation theory used in the development of the most dominant behavioral accounting research are Expectancy Theories and Attribution Theories. Besides Expectancy Theories and Attribution Theories, another motivation theory also widely used in the study is Goal Theory proposed by Edwin A. Locke (Murray, 1990).

According to Mulyadi (2009), organization paradigm as institutions underlying wealth multiplier system design planning to enter the competitive business environment. Therefore, the competitive environment requires organizations to have a strong financial base to enable an organization to survive and grow, the planning system needs to be designed to leverage the laying focus on the real drivers of financial performance.

In the budgeting process as a nonprofit educational foundation, in determining the budget that will be used as an assessment of organizational performance and employees are always sticking to the report on the realization of years ago. The big difference in the realization of the budget last year shows the level of success of participatory budgeting process.

Several phenomena that occur as the sample is on Yayasan Pendidikan Swasta (Private Educational Foundation) in Tangerang who have implemented organizational performance assessment based on the budget that are made, the data retrieved from the years of 2003-2012, showing the budgetary slack. Revenue plan in fiscal year 2003/2004 amounted to Rp 39,565 million and Rp 40,261 million realization, budgetary slack in revenue here occurs Rp 696 million, while the cost plan was Rp 32,363 million and the realization was Rp 29,590 million (budgetary slack of Rp 2,773 million). In the year 2004/2005 revenue plan of Rp 43,703 million was realized for USD 46 959 million (no budgetary slack in revenues), while the cost plan of Rp 36,114 million was realized for Rp 33,010 million (budgetary slack of Rp 3,104 million). In the year of 2005/2006 revenue plan of Rp 55,574 million was realized for Rp 56,363 million (budgetary slack in revenue of Rp 789 million), while the cost plan of Rp 47,356 million was realized for Rp 41,864 million (budgetary slack of Rp 5,492 million).

In the year of 2006/2007, revenue plan of Rp 65,583 million was realized for 68 211 million (no budgetary slack in revenues), while the cost plan of Rp 58,059 million realized for Rp 53,885 million (budgetary slack of Rp 4,174 million). In the year of 2007/2008 revenue plan of Rp 75,185 million realized for 75 723 million (budgetary slack in revenue of Rp 538 million), while the cost plan of Rp 70,145 million realized for Rp 59,270 million (budgetary slack of Rp 10 875 million). In the year of 2008/2009 plan revenue of Rp 78 231 million was realized for 78 265 million (budgetary slack in revenue of Rp 34 million), while the cost plan of Rp 75,934 million was realized for Rp 68,213 million (budgetary slack of Rp 7,721 million). In 2009/2010, revenue plan of Rp 83,663 million was realized for 79,686 million (no budgetary slack in revenues), while the cost plan of Rp 78,857 million was realized for Rp 69,275 million (budgetary slack of Rp 9,582 million). In 2010/2011

revenue plan of Rp 89,277 million was realized for 85 606 million (no budgetary slack in revenues), while the cost plan of Rp 81,171 million was realized for Rp 77,854 million (budgetary slack of Rp 3,317 million). In 2011/2012 revenue plan of Rp 97,846 million was realized for 99 226 million (no budgetary slack in revenues), while the cost plan of Rp 104,929 million was realized for Rp 99,860 million (budgetary slack of Rp 5,069 million).

Based on the background, the fundamental problems underlying this research topic is the effect of budget emphasis on the relationship between participation in the budgeting process and budgetary slack, and the effect of motivation on the relationship between participative budgeting and managerial performance on the Yayasan Pendidikan dan Koperasi in Banten Province, by looking at the following aspects: (1) the effect of budget emphasis on the relationship between participative budgeting and budgetary slack; (2) the effect of motivation on the relationship between participative budgeting and managerial performance, (3) the effect of budget emphasis on managerial performance.

2. Literature Review and Methodology

2.1 Literature Review

2.1.1 Budget Emphasis

Indonesia's economic grows so rapidly with increasing stiff competition at the level of subordinate manager or subordinates manager level that forces economic agents and the management of an organization to be able to have a measuring tool that has more supportive role in the implementation of managerial tasks. Implementation of managerial tasks must be supported by a budget that allows feedback to be able to get as much as possible so that the company's goal of increased market share, growth, product diversification as well as volume, profit, acquisition, merger or consolidation can be achieved. The budget can be used as an evaluative tool that emphasizes on accounting performance measures (budget emphasis).

According to Horngren (2003),

"The quantitative expression of proposed plan of actions by management for a future time period and is an aid to the coordination and implementation of the plan. A budget can cover both financial and nonfinancial aspects of this plans and acts as a blueprint for the organization to follow in the upcoming period."

The budget being compiled and written systematically expressed in quantitative and monetary units are organized in yearly contracts at this moment and should be implemented and realized in future periods. In other words, the budget is an annual performance appraisal for executive managers as for managerial performance will be measured on the basis of the achievement of the budget efficiently and effectively.

Budget emphasis is an evaluative measure of managerial subordinates which emphasizes on accounting performance measures (Ross, 1994). This measure is said to be objectively and logically acceptable. Chow (1988) says, "the emphasis is placed on how the budget level, in conjunction with a budget based rewards or penalties, can be used to cope with information regarding factors such as the subordinate's ability or effort". This opinion is in line with the results of empirical studies conducted by Hopwood (1972), Otley (1982), Brownell & Hirst (1986), who demonstrate that budget emphasis is an evaluative tool that affects managerial performance.

To produce a good managerial performance, it is necessary to have a clear perception of the role. A manager needs to know the responsibility, behavior and performance that a company expects from the manager.

The results of an evaluative study of the tools provided by the budgetary performance by Otley (1979), shows that the subordinate budget was positively related to a superior evaluation tool that emphasizes the importance of establishing a budget. The better performance of the budget is always associated with the more accurate and realistic target budget being set. Thus a better performance of budget is not a logical consequence of the evaluative tool, but rather as a result of the budget target setting that is more accurate and realistic. This opinion is in accordance with a suggestion from Otley (1979, p. 138-139): the more accurate a budget as an evaluative tool is likely associated with the increased performance of subordinates.

Budget emphasis is a pressure from superiors to subordinates to carry out the budget that has been made, in the form of sanctions if it is less than the target budget and compensation if they can exceed budget targets. A manager who is not able to achieve the budget targets would face the possibility of intervention from higher management, loss of organizational resources, loss of annual bonuses or at the most extreme point of losing their jobs (Merchant and Manzoni, 1989). In such circumstances, these managers will be looking for ways to protect themselves from the risk of not achieving the budget targets (Lukka, 1988; Onsi, 1973; Schiff and Lewin, 1970). One way of self-protection is by creating budget slack. Parker et.al stated that if the performance of a manager is judged on a budget that is already running, then the manager will ensure that the budget is in the level of easily accessible, one way is to put slack in the budget. According to the research Dunk (1993) and Merchant (1985), budgetary slack will be lower if the budget emphasis is low.

Consequently, managers trying to get extra budget requests that can be considered to be significant factors in the budgeting process towards. Supervisor (under manager) should communicate with upper-level

managers to better understand the purpose of the proposed budget before deciding how to allocate budgetary resources. With emphasis on the budget, managers can see the needs of budgetary slack and engage in strategies that affect negotiations in budgeting and contains a huge budget request.

2.1.2 Motivation

Few attention has been given to research on motivation theory in budgetary slack. Managerial motivation theory (1910-1960) focused on how the subordinate managers can be great (Szilagyi and Wallace, 1980). Contents of individual motivation theory focuses on the question of the behavior that motivated individual initiatives (Szilagyi and Wallace, 1980). Motivational mechanisms, including as required factors, greatest in terms of supervision, stout character of the individuals involved in the work, identification with the organization, and a division that supports it (Locke et al., 1986)

Many studies are based on research motivation by Murray (1938) but has been expanded and added in details by McClelland (1951). In general, Murray's motivation theory about positioning behavior is a function of the strength of all kinds that are needed. This grouping includes 20 basic needs, which is required for an award has been received, the main concern in the period associated with the research. McClelland et. al. (1953) and Atkinson (1958) make the operation and examine the impact of this requirement. From their research, the most important needs is motivation related to slack as the need for recognition (n achievement), the need for power (n Power), and the need for authority (n autonomy), with all levels of individual variables.

2.1.3 Participative Budgeting

According to Kennis (1979), "participation is the level of participation of managers in preparing the budget and the budgetary effects on the responsibility center of the manager concerned". The budget that will be used as it should be, will be a positive helper tool in defining a standard working performance, in promoting the achievement of goals, in measuring the results, and in directing attention to areas in need of investigation.

According to Brownell (1982a), participation in the context of budgeting is the process by which individual whose performance is evaluated and awarded based on the achievement of budget, participates and has some influence in the budgeting process. In a wider context, basically a participation is an organizational process, in which the members of the organization take part and have an influence in the decision-making on matters related to them.

According Magee (1980), Baiman (1982), Baiman & Evans (1983), the information being anticipated by the principal (employer) increases with access to information held by the agent (subordinate) before preparing the budget. By participating in the budgeting process, agents are given the opportunity by the principal to access information that allows agents to communicate or disclose some of their personal information that can be incorporated into the standard or budget, where the performance will be evaluated.

Brownell (1982) defined participative budgeting as the level of involvement and influence of individuals in the preparation of the budget, while Chong (2002) stated that subordinates/executives are given the opportunity to be involved in and have an influence on the budgeting process.

Previously, Argyris (1952) also argues that the need for subordinates being given the opportunity to participate in the budgeting process. The company's target would be acceptable, if the members of the organization can be together in a group to discuss their opinions about the company's target company, and are involved in determining the steps to achieve that goal. Milani (1975) also argues that the level of involvement and subordinates' influence on budget towards the decision making in the budgeting process is the primary factor that distinguishes between participative budgeting and non-participative budgeting. Subordinate aspiration should be regarded in the participative budgeting (Stedry, 1960), making it possible for subordinates to negotiate with the employer according to their budget targets that can be achieved (Brownell and McInnes, 1986; Dunk, 1990).

2.2 Rationale and Hypotheses

2.2.1 Effect of Budget Emphasis on the Relationship between Participative Budgeting and Budgetary Slack

Budget emphasis is a pressure from superiors to subordinates to carry out the budget that has been made, in the form of sanctions if it is less than the target budget and compensation if they can exceed budget targets. The managers who are not able to achieve the target budget would face the possibility of intervention from higher management, loss of organizational resources, loss of annual bonuses or at the most extreme point of losing their jobs (Merchant and Manzoni, 1989). In such circumstances, these managers will be looking for ways to protect themselves from the risk of not achieving the target budget (Lukka, 1988; Onsi, 1973; Schiff and Lewin, 1970). One of the self-protection ways is by creating budget slack. Nouri and Parker (1996) stated that if the performance of a manager is judged on a budget that is already running, then the manager will ensure that the budget is in the level of easily accessible, for example by putting a slack on the budget. According to a research by Dunk (1993) and Merchant (1985), budgetary slack will be lower if the budget emphasis is low. Because the managers' performance is assessed by the budget as the sole assessment of managerial performance, the

individuals who participated in the budgeting process will create budgetary slack. If participation in the budgeting and the budget emphasis are high, the budgetary slack will be high as well. Due to the high pressure from superiors, the subordinate managers will strive to create a budget that is easily reached by creating budgetary slack. Otherwise, if participation in the preparation of budget emphasis is high but budget emphasis is low then the budgetary slack will be low. This is because subordinate managers will only create budgetary slack if there is a pressure from superiors, so that the budget drawn up still involves all parties and in accordance with the aspirations of all those involved in the budgeting. If participation in the budgeting is low and budget emphasis is high then the budgetary slack will be high, because the emphasis of the budget will affect the superior managers to get involved in the preparation of the budget that may create budgetary slack. Conversely, if participation in the budgeting is low and budget emphasis is low then the budgetary slack will be low. The hypothesis is developed as follows

Ha₁: Budget emphasis significantly affects the relationship of participation in budgeting and budgetary slack.

2.2.2. Effect of Motivation on the Relationship of Participative Budgeting and Managerial Performance

Based on the results of previous studies, the relationship between participation variables with the performance variable became unclear. Some researchers such as Brownell (1982a), Murray (1990), Shields and Young (1993), suggest the possibility of other variables that must be considered in the relationship between participation and performance. To reconcile these conflicting research findings, Govindarajan (1986) identified a variety of conditions that lead to participation in the budgeting to be more effective.

According to Belkaoui (2002 p.189) participation in the budgeting process is considered influential on the managerial performance which is positively influenced by motivation. Cost accounting books recommend the use of claims in terms of participation in budgeting. Accuracy in this statement rests on the development of a positive relationship between participation and performance, participation and motivation, and motivation and performance, as well as the moderating relationship between participation and performance through motivation. Hofstede (1967) used four indicators to measure motivation, concurred with the understanding that relate to the budget and the existence of which is supported by the attitude toward the budget on the part of and the presence of budget managers. Similar results were found by Searfoss and Monezka (1973), who studied the effect of motivation on the participation of the head of the general division in the development of their budgets. Motivation was measured through the use of subordinate wage rates in the effort expended by the head of the general division with immediate and objective evaluative activity based budget. Participative budgeting is a participation involving all stakeholders in preparing the budget which is the managerial performance appraisal tool. Subordinates who participated in the preparation of the budget have the motivation to get a high wage rates, because subordinate supervisors rate the achievement of budget targets. If the target budget is reached then the subordinate will get a certain bonus, so the motivation of subordinates will improve managerial performance.

If participative budgeting is high and motivation is high then the managerial performance will be high, because the bonus is provided if the target budget set by the superiors is achieved. However, if participative budgeting is high but motivation is low, then the managerial performance will be low. If participative budgeting is low but motivation is high, then managerial performance will be high because of high motivation with a hope of a bonus earned if the target budget is reached. If participative budgeting is low and motivation is low then managerial performance will be low. The hypothesis is:

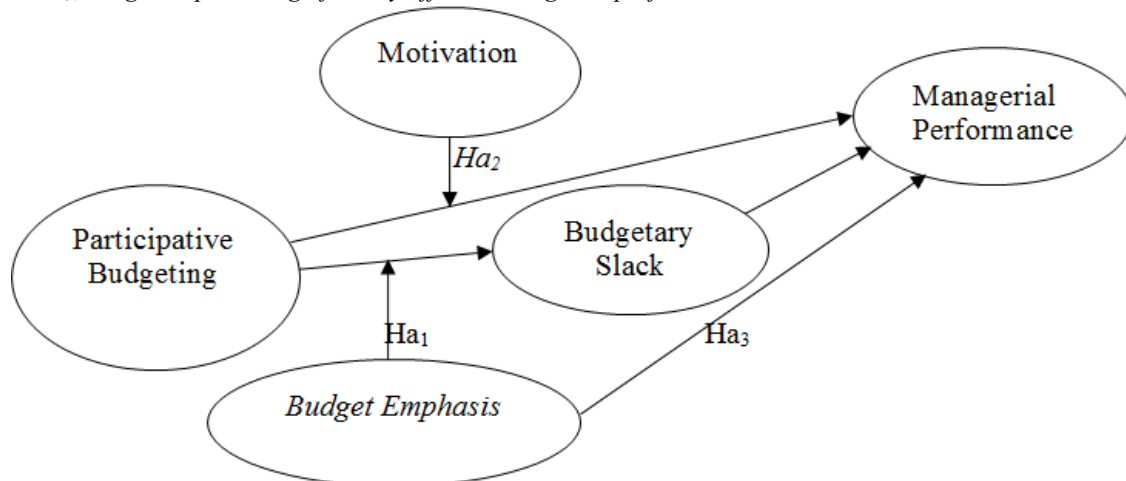
Ha₂: Motivation significantly affects the relationship of participation in budgeting and managerial performance

2.2.3. Effect of Budget Emphasis on Performance Managerial

In its function as a planning tool, the budget can be used to plan a variety of activities for the implementation of accountability center so that the execution is in accordance with the guidance. Budget can also serve as a means of controlling when the budget is used as a measure of performance of a accountability center. If an organization sees budget as the most dominant factor in measuring the performance of subordinates, then this condition is named budget emphasis.

When the budget is used as a measure of performance of subordinates in an organization, the subordinates will try to improve its performance with two possibilities. First, improving the performance so that the realization of the budget is higher than the previous target. Second, loosen the budget during the budget preparation. By loosening the budget, the accountability center manager is said to make a slack. If budget emphasis rises, it causes managerial performance to rise also, because performance assessment is based on achievement of budget targets so that if the budget emphasis is high then it will affect the managerial performance. If budget emphasis is low then it will reduce the managerial performance, because the subordinate is not required by a target which is too difficult to achieve. The hypothesis is:

Ha₃: Budget emphasis significantly affects managerial performance.



2.3 Methodology

This research used a descriptive method of verification with explanatory survey approach. Data were collected by sending questionnaires by mail and delivered directly to 200 managers who lead functional departments in Yayasan Pendidikan dan Koperasi in Banten. Most employees are Senior Manager, Associate Manager, and Executive Manager. Respondents selection was based on the following criteria: (1) each respondent should have budgetary responsibilities in each business unit, (2) each unit will be a center of investment, (3) each manager must occupy the position for at least 2 years in the business unit. Questionnaires distributed 3 times the amount of data, i.e 200 samples managers of both upper and lower levels, who have budgetary responsibility.

The object of this study is the effect of the relationship of participative budgeting and budgetary slack that is moderated by the budget emphases and its impact on managerial performance and the effect of the relationship of participative budgeting and managerial performance that is moderated by motivation in Yayasan Pendidikan dan Koperasi in Banten Province. The variables used in this study are budgetary slack as the dependent variable (Y_1), participative budgeting (X_1), budget emphases (X_2), and motivation (X_3) as moderating variables, coupled with managerial performance variable (Z_1).

2.3.1. Participative Budgeting (X_1)

In measuring the first independent variable (X_1), questionnaires were employed. This questionnaire was first developed by Milani (1975) and widely used among others by Brownell and McInnes (1986), Frucot and Shearon (1991). With the exception of Hassel and Cunningham (1993,1996), prior research participation involvement in the preparation of the budget (Dunk, 1989; Mia, 1989; Kren, 1992; Magner et al, 1996; Nouri and Parker, 1996) used the 6-dimensional cultivated by Milani (1975). Previous studies, although using different things in measure 6 dimensions based on the premise that represented one factor. Dimensions developed by Milani (1975) are as follows: (1) contributions, (2) changes, (3) satisfaction, (4) influence, (5) discussion.

The present study used two constructs: Budget Communications and Budget Influence as developed by Kenis (1979). There are 3 dimensional measuring communications budget on 7 Likert scales, namely: (1) the frequency of superiors identifying issues related to the budget discussion; (2) the frequency of managers identifying issues related to the budget discussion; (3) the reason to the manager as to why the budget was revised. Similarly, budget influence used two dimensions, namely: (1) the number of managers involved in the last and newest budget of the branches; (2) portion of the manager's involvement in budgeting. The answers were provided using 7 Likert scale (1 = Strongly Disagree and 7 = Strongly Agree).

2.3.2 Budget Emphasis (X_2)

Budget emphasis is a pressure from superiors to subordinates to carry out the budget that has been made, in the form of sanctions if it is less than the target budget and compensation if they can exceed the target. Managers who are not able to achieve the target would face the possibility of intervention from higher management, loss of organizational resources, loss of annual bonuses or at the most extreme point of losing their jobs (Merchant and Manzoni, 1989). In such circumstances, these managers will be looking for ways to protect themselves from the risk of not achieving the target (Lukka, 1988; Onsi, 1973; Schiff and Lewin, 1970). One of the self-protection ways is by creating budgetary slack. Parker et.al stated that if the performance of a manager is judged on a budget that is already running, then the manager will ensure that the budget is in the level of easily accessible, one of the ways is to put slack in the budget. According to a research by Dunk (1993) and Merchant (1985), budgetary slack will be lower if the budget emphasis is low.

This study used constructs/dimensions as developed by Dunk (1993), which were used to measure the

dimensions of budget emphasis using 7 Likert scale, namely: (1) Income generated, (2) Focus on the job, (3) Attention to quality, (4) ability to achieve the targets, (5) Harmonization in the work environment, (6) Efficiency, (7) attitude towards work, (8) Relationship with peers.

2.3.3. Motivation (X_3)

Robin (2003) defined motivation as the process that produces an intensity, direction, and persistence of an individual in an attempt to achieve a goal. Motivation in this study was measured with an instrument developed by Lawer et. al., but in this study 5-point scale was used. Figure 1 shows very unimportant and 5 is very important. Work motivation in this study refers to the expectancy theory that is divided into three sections.

Dimensions of motivation are: (1) what is the expected, (2) how important is awards, (3) the desired expectations. The first section consists of 11 questions relating to what to expect if they have done something well (effort → performance). The second part contains 11 questions about how important the award is desired (performance → outcome). The third part contains three questions related to the desired expectations when working hard/valence (Vroom, 1964).

2.3.4. Budgetary Slack (Y_1)

The first dependent variable (Y_1) in this study is budgetary slack, that is a condition that occurs due to differences in the amount of the budget submitted by subordinates with the best estimate of the number of organizations. This variable was measured using a questionnaire developed by Anthony and Govindaradjan (2001). According to Belkoui (2002), there are dimensions of budgetary slack: (1) *Slack Attitude*, that is an attitude towards gap that is explained by variables that indicate the attitude of the manager to make use of budgetary slack; (2) *Slack Manipulation*, a manipulative attitude described by variables indicating managers in creating and utilizing budgetary slack; (3) *Slack Institutionalization*, the institutional gap explained by variables that make managers tend to reduce budgetary slack; (4) *Slack Detection*, is slack detection explained by variables that indicate and demonstrate superior ability to detect budgetary slack based on the information received; (5) *Attitude toward the top management control system*, that is an attitude towards top management control systems described by variables that showed an authoritarian philosophy in the budget-making caused by the top management division manager; (6) *Attitude towards the divisional control system*, an attitude towards the division of control systems described by the subordinate attitudinal variables, resource pressures, budgetary autonomy and supervision of the use of the budget; (7) *Attitudes toward the budget*, an attitude towards the budget outlined by the variable attitudes toward standard levels, an attitude towards the achievement of the budget for the relevance of performance appraisal, managers and (positive or negative) attitude of the budgeting system in general, as a tool for managers; (8) *Budget relevancy*, a budget relevancy is explained by the variable budget manager attitudes towards the relevance of operational standards department. This study uses the dimensions of Dunk (1993) because it is more focused on the ease of target budget that can be achieved, which uses six instruments, namely: (1) Budget Standards, (2) Budget Achievement, (3) Tight Budget, (4) Budget emphasis, (5) Budget Efficiency, (6) Target Budget.

2.3.5. Managerial Performance (Z_1)

The second dependent variable (Z_1) in this study is managerial performance, a management process that is designed to connect the organizations goals to individual goals such that both individual goals and corporate objectives can be met. Using an average of 9 dimensions which can be measured by adjusting Mahoney et.al (1963) to evaluate managerial performance with 7 point Likert scale: (1) Planning, (2) Process of Investigation, (3) Coordination, (4) Evaluation, (5) Supervision, (6) Selection of staff, (7) the negotiation process, (8) Representation. Instruments for measuring managerial performance variables in this study were self rating instrument developed by Mahoney et al. (1963). This measure has been used by the main researcher (Brownell, 1982; Brownell & Hist, 1986; Dunk, 1989.1993). Respondents answered their performance using a Likert 7 point scale (1 = below average, 7 = above average). Brownell (1982) reported that an independent assessment of the reliability and validity of the instruments Mahoney has provided evidence to support the ballot measure progress (Penfield, 1974; Heneman, 1974).

To answer the research questions, Partial Least Square (PLS) was used. This was first developed by Wold as a general method for estimating path models using latent constructs with multiple indicators. As stated by Wold (1985) in Imam Ghazali (2006:4), PLS is a powerful method of analysis because not a lot of assumptions based. Data does not have the multivariate normal distribution (with scale indicator categories, ordinal, interval, until the ratio can be used on the same model), the sample does not have to be large. Although PLS can also be used to confirm the theory, but can also be used to clarify whether there is any relationship between the latent variables.

Models in this study are in accordance with the framework established researchers can be described as follows:

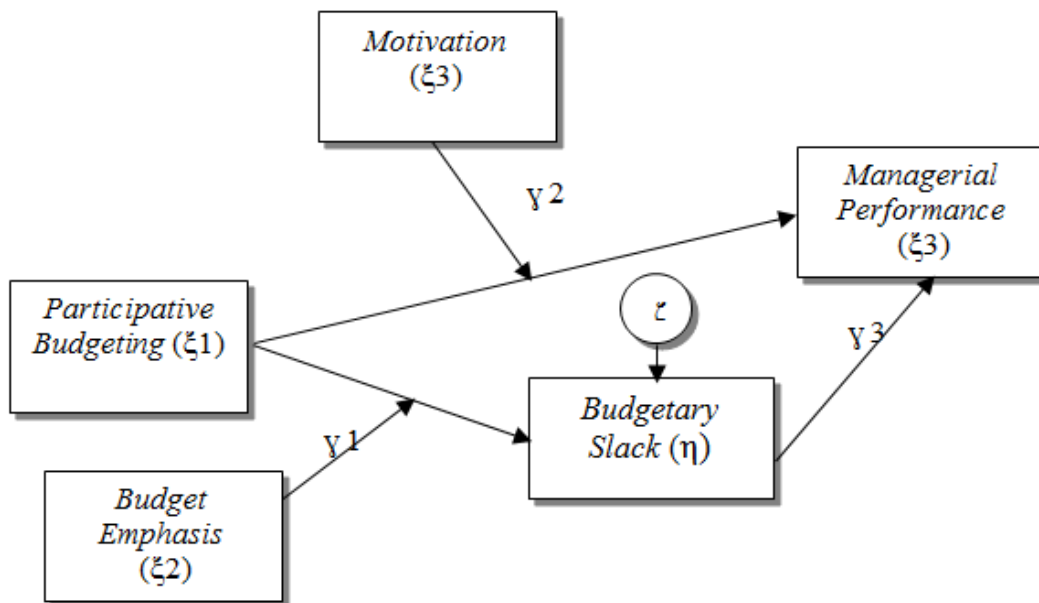


Figure . Structural Equation Models with Path Analysis.

Notation on the model:

γ = Gamma, a regression coefficient between the latent variable (construct) exogenous with endogenous latent variable.

ζ = Zetta, a regression residual error for each endogenous variable that shows the composite error of the model.

ϕ = Phi, covariance or correlation relationships between the exogenous variables (Independent)

η = Eta, shows endogenous variable (dependent), both latent variables (unobserved) and the observed.

ξ = Xi, suggesting exogenous (independent), both latent variables (unobserved) and the observed.

γ_1 = coefficient of correlation between ξ_1 (composite exogenous1) and η (composite endogenous)

γ_2 = coefficient of correlation between ξ_2 (composite exogenous2) and η (composite endogenous)

γ_3 = coefficient of correlation between ξ_3 (composite exogenous3) and η (composite endogenous)

γ_4 = coefficient of correlation between $\xi_1 * \xi_3$ (composite exogenous1 * Exogenous3) with η (composite endogenous)

γ_5 = coefficient of correlation between $\xi_2 * \xi_3$ (composite exogenous2 * Exogenous 3) with η (composite endogenous)

Tools used to analyze the structural model with path analysis above is the program Smart-PLS (Partial Least Square). There is a measurement model that is the measurement model composite exogenous variable correlation with endogenous composite, with the following equation:

$$\eta = \gamma_1 \xi_1 + \gamma_2 \xi_2 + \gamma_3 \xi_3 + \gamma_4 \xi_1 * \xi_3 + \gamma_5 \xi_2 * \xi_3 + \zeta \dots \dots \dots (1)$$

3. Findings and Discussions

Research data used in this study is primary data obtained by using questionnaires that were sent directly to the compilers of the budget: the Chairman, Chief Operating and Financial Managers of Yayasan Pendidikan dan Koperasi in Banten Province on May 5, 2012 until the deadline for the return date on June 30, 2012. Of the 200 questionnaires distributed, 93 questionnaires were returned and 117 questionnaires were not returned. The response rate obtained was 46.5% while the remaining 53.5% did not return. The response rate is relatively low due to the deployment and retrieval of the questionnaire was done by directly delivered and picked up.

3.1. Instrument Test

3.1.1. Validity Test

Research data has been collected and processed to test the quality of the data in the form of test validity and reliability. Validity test conducted with the help of Smart PLS program showed that the level of AVE (Average Variance Extracted) for each item statement items with a total score of variables of managerial performance (Z_1), budgetary slack (Y_1), participative budgeting (X_1), motivation (X_2), and budget emphasis (X_3) is significant at the 0.01 level. Thus it can be interpreted that any item indicator instrument is valid for budgetary slack. In summary, the results of validity test for the variables can be seen in table 4.2 below :

Table: Average Variance Extracted (AVE)

Indicator	Average Variance Extracted (AVE)
Lv0 (participative budgeting)	24.892
Lv1 (managerial performance)	41.931
Lv2 (motivation)	120.486
Lv3 (budget emphasis)	65.932
Lv4 (budgetary slack)	52.191
Lv5 (interaction of PB and motivation)	72923.906
Lv6 (interaction of PB and budget emphasis)	50037.590

Note: PLS Results

Ghozali (2008:42) reveals that the value of Average Variance Extracted (AVE) above 0.5 indicate that these constructs can be said to be valid. According to the table above is known that the value of the entire indicator AVE above 0.5 (> 0.5) so that the whole can be said to be a valid indicator.

3.1.2. Reliability test

Reliability test in this study was completed using the One Shot test, meaning that only one measurement and then the results were compared with other questions or in other words, measuring the correlation between the answers to questions. Reliability test results of the calculations show that the value of Cronbach Alpha (α) for each variable is greater than 0.60, thus it can be concluded that the instrument items for each variable were reliable (Nunnally in Ghozali, 2006). Reliability test results in detail shown in table 4.3 below.

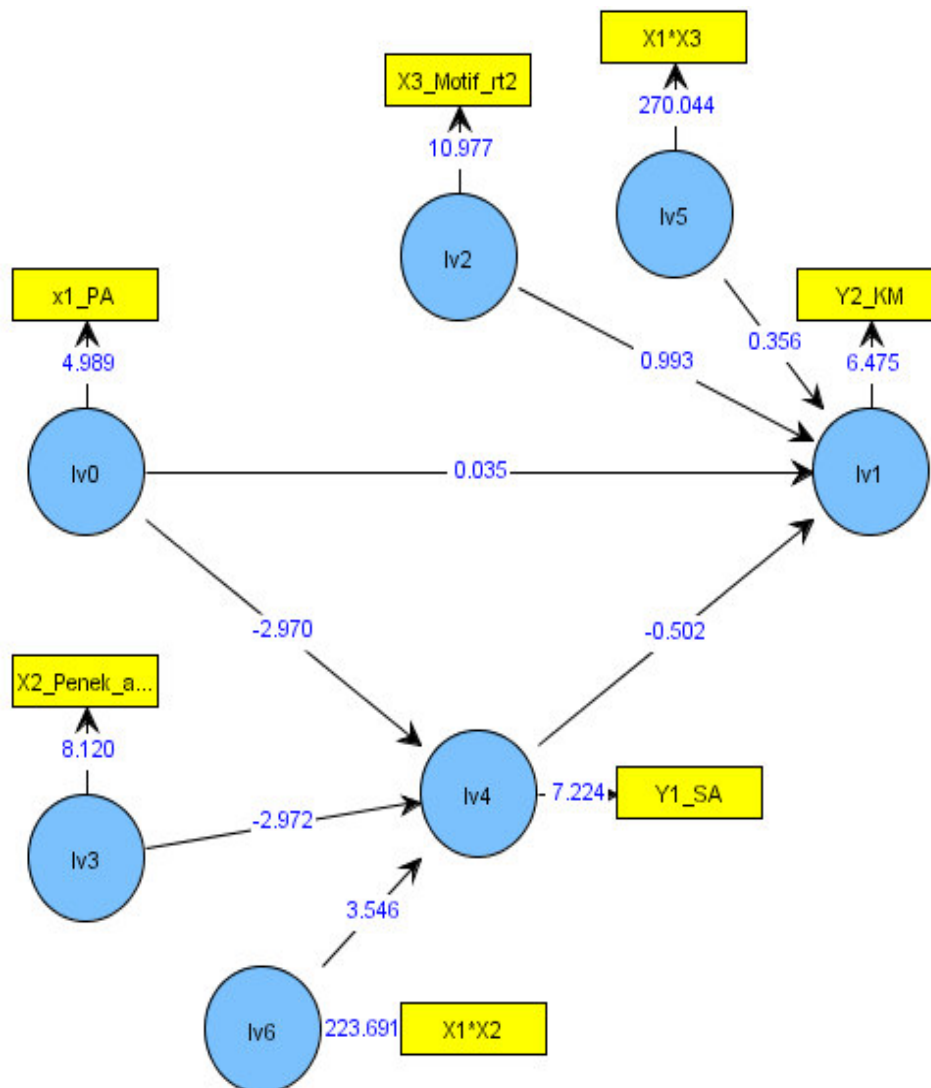
Table: Composite Reliability

Indicator	Composite Reliability
Lv0 (participative budgeting)	24.892
Lv1 (managerial performance)	41.931
Lv2 (motivation)	120.486
Lv3 (budget emphasis)	65.932
Lv4 (budgetary slack)	52.191
Lv5 (interaction of PB and motivation)	72923.906
Lv6 (interaction of PB and budget emphasis)	50037.590

Note: PLS Results

Ghozali (2008:43) reveals that the reliability of a reflexive construct can be seen from the composite reliability values above 0.7 (> 0.7). According to the table above is known that the value of the entire composite reliability indicator above 0.7 so that the whole can be said to be a reliable indicator.

3.1.3. Results of Statistic Test



	original sample estimate	mean of subsamples	Standard deviation	z-count	Note
PB → Managerial Performance	0.035	0.045	0.139	0.256	No Influence
Motivation → Managerial Performance	0.993	1.052	0.467	2.127	Significant Positive Influence 5% (>1.96)
Interaction of PB dan Motive → Managerial Performance	0.356	0.317	0.426	0.837	No Influence
Budgetary Slack → Managerial Performance	-0.502	-0.527	0.137	3.662	Significant Negative Influence 1% (>2.58)
PA → Budgetary Slack	-2.970	-2.986	0.567	5.240	Significant Negative Influence 1% (>2.58)
Interaction of PB and Budget Emphasis → Budgetary Slack	3.546	3.608	0.635	5.584	Significant Positive Influence 1% (>2.58)
Budget emphasis → Budgetary Slack	-2.972	-3.137	0.574	5.178	Significant Negative Influence 1% (>2.58)

3.2.1 Effect of Budget Emphasis on the Relationship between Participative Budgeting and Budgetary Slack

The effect of Participative Budgeting (X_1) on budgetary slack (Y_1) with budget emphasis (X_2) as a moderating variable has a regression coefficient of 3,546. A positive effect with a significance level of 1% where the Z score indicates a greater number 5,584 and Z-table of 2.58. It shows that the influence of positive interaction and this means H_0 is rejected and H_a (alternative hypothesis) is accepted: *Budget emphasis significantly affects the relationship of participative budgeting and budgetary slack*. In other words that the effect of participative budgeting on budgetary slack is reinforced by the budget emphasis, with a high level of moderation. It is known from the difference in the value of R^2 of the existing and no moderating effect of budget emphasis 0,289 (0,301-0,012) because, according to Ghozali (2008), $0.30 \pm R^2$ difference is classified as strong. The results are

consistent with the Dunk (1993) and Merchant (1985), budgetary slack will be lower if the budget emphasis is low.

According to a research by Dunk (1993) and Merchant (1985), budgetary slack will be low if the budget emphasis is low, because the manager performance is assessed by using the budget as the sole assessment of managerial performance. This makes the individuals who participate in the budgeting will create budgetary slack. If participative budgeting is high and budget emphasis is high then the budgetary slack will be high as well.

These results are also in accordance with previous studies conducted by Lukka (1988); Onsi (1973); Schiff and Lewin (1970). One example of self-protection is by creating budgetary slack. Parker et.al stated that if the performance of a manager is judged on a budget that is already running, then the manager will ensure that the budget is in the level of easily accessible, that is to put a slack in the budget.

3.2.2. Effect of Motivation on the Relationship between Participative Budgeting and Managerial Performance

From the results of statistical tests, the effect of participative budgeting (X_1) on managerial performance (Z_1) with motivation (X_3) as a moderating variable, shows that the original sample estimate of 0.356 is very low, with a significance level of 5% where the Z-count figures show 0,837 still less than Z table of 2.56, so the hypothesis (H_{a2}) "motivation significantly affects the relationship of participative budgeting and managerial performance" is rejected. It shows that motivation does not have a positive interaction effect and this means accepting H_0 and rejecting H_a (alternative hypothesis). In other words, the effect of participative budgeting on managerial performance is not reinforced by motivation, because of the low level of moderation. This is contrary to the results found by Hofstede (1967) and Searfoss and Monezka (1973), who studied the effect of motivation on participative budgeting in the development of their budgets.

3.2.3. Effect of Budget Emphasis on Performance Managerial

From the results of statistical tests, it can be seen that the budget emphasis (X_2) has no effect on managerial performance (Z_1), stating that the original sample estimate 0,035 shows very low, with a significance level of 5% where the Z count shows the number 0,256 which is still less than the Z table 2,56 so the hypothesis (H_{a3}) "budget emphasis significantly affects the managerial performance" is rejected. It shows that budget emphasis does not have a positive interaction effect and this means H_0 is accepted and H_a (alternative hypothesis) is rejected. In other words, the budget emphasis does not have effect on managerial performance, because the original sample estimate rate is very low at 0.035. This is contrary to the results found by Dunk (1993) who studied the effect of budget emphasis on managerial performance.

3.2.4. Effect of Participative Budgeting (X_1) on Budgetary Slack (Y_1)

Effect of participative budgeting (X_1) on budgetary slack (Y_1) has a regression coefficient of -2,970. Negative coefficient means that the relationship is reversed. In other words, if the composite shows participative budgeting (X_1) was increased by 1 unit, budgetary slack (Y_1) will decrease by 0,2970 units provided that other variables are constant/fixed.

Value of z-score effect of participative budgeting (X_1) to construct budgetary slack (Y_1) is greater than 5,240 and z-score (z-table) with a significance level of 5% or 2,58. This means H_0 is rejected and H_a (alternative hypothesis) is accepted, or in other words that the participative budgeting (X_1) directly affects budgetary slack (Y_1).

3.2.5. Effect of Budget Emphasis (X_2) on Budgetary Slack (Y_1)

Effect of budget emphasis (X_2) on budgetary slack (Y_1) has a regression coefficient of -2,972. Negative coefficient means that the relationship is reversed. In other words, if the composite shows emphasis budget (X_2) increases by 1 unit, budgetary slack (Y_1) will decrease by 0,2972 units provided that other variables are constant/fixed.

Value of z-score effect of emphasis budget (X_2) on the construct of budgetary slack (Y_1) is 5,178 which is greater than z-score (z-table) with a significance level of 5% or 2,58. This means that H_0 is rejected and H_a (alternative hypothesis) is accepted. In other words, the budget emphasis (X_2) directly affects budgetary slack.

3.2.6. Effect of Participative Budgeting (X_1) on Managerial Performance (Z_1)

1) Direct effect. Effect of participative budgeting (X_1) on budgetary slack (Y_1) has a positive coefficient but is not significant because of the smaller count z-table at 5% significance level ($0,256 < 1,96$). This means the null hypothesis (H_0) cannot be rejected, i.e. participative budgeting does not affect the budgetary slack.

2) Indirect effect. Effect of participative budgeting on the budgetary slack has a coefficient of -2,970 and significance level 1%. The influence of the budgetary slack on managerial performance is -0,502 and significance level at %. Thus, the indirect effect of participative budgeting (X_1) on managerial performance (Z_1) is $-2,970 \times -0,502 = 1,490$.

3.2.7. Effect of Motivation (X_3) on Managerial Performance (Z_1)

Effect of motivation (X_3) on managerial performance (Z_1) has a regression coefficient of 0,993. In other words, if the composite showed motivation (X_3) increases by 1 unit, managerial performance (Z_1) will increase by 0,993

unit provided that other variables are constant/fixed.

Motivation count z-score (X_3) to construct managerial performance (Z_1) of 2,127 and is greater than the z-score (z-table) with a significance level of 5% or 1,96. This means that H_0 is rejected and H_a (alternative hypothesis) is accepted. In other words, motivation (X_3) directly affect the managerial performance (Z_1).

3.2.7. Coefficient of Determination

Table : R-square

Indikator	R-square with moderating	R-square without moderating
lv0 (participative budgeting)		
lv1 (managerial performance)	0,805	0,801
lv2 (motivation)		
lv3 (budget emphasis)		
lv4 (budgetary slack)	0,301	0,012
Lv5 (interaction of PB and motivation)		
Lv6 (interaction of PB and budget emphasis)		

3.2.8. Budgetary Slack (Y_1)

The construct of participative budgeting and the effect of budget emphasis and interaction between them (moderating effects) can explain the budgetary slack of 30,1% or in other words, 69.9% is explained by other variables that are not included in the study.

3.2.9. Managerial Performance (Z_1)

The construct of participative budgeting and the effect of budget emphasis and interaction between them (moderating effects) can explain the managerial performance amounted to 80,5% or in other words, the 19,5% is explained by other variables that are not included in the study.

4. Conclusion and Limitation of Study

Based on the results of the study it can be concluded as follows:

- 1.budget emphasis has positive and significant effect on the relationship of participative budgeting and budgetary slack;
- 2.motivation does not have any effect and does not strengthen or weaken participative budgeting on managerial performance;
- 3.budget emphasis does not have any effect on managerial performance.

4.1. Implication

- 1.The effect of budget emphasis on participative budgeting on the budgetary slack in Yayasan Pendidikan dan Koperasi is expected to continue to increase the emphasis on the budget in order to avoid budgetary slack and increase participation in the preparation of the budget of all the parties to come to appreciate all the input or contribution to enhance the managerial performance in the future.
- 2.Although motivation does not have any effect and does not strengthen or weaken the relationship of participative budgeting on managerial performance, but it does have positive and significant effect on managerial performance, thus that subordinates should be given high motivation to improve managerial performance.
- 3.Although budget emphasis does not have any effect on managerial performance, but the budget emphasis does have negative and significant effect on budgetary slack, thus target budget should be made to reduce the potential budgetary slack.

4.2. Limitation

Evaluation on the results of this study needs to consider the limitations that may affect the results of this study, among other things are:

- 1.difficulty to control respondents; the distributed questionnaires were not returned on time;
- 2.respondents' perceptions that are submitted in the form of writing the questionnaires may affect the validity of the results;
- 3.in addition to these limitations, there are many other limitations that may not be recognized by the researcher.

4.3. Suggestion

Several suggestions can be made based on this study:

- 1.Limitations of this study indicate that budgetary slack affects managerial performance, and there are some influences from other variables outside the model. Future studies are suggested to examine the influence of other variables that have not been included in the model as a variable in this study, among other things are professionalism, information technology and cultural structure.
- 2.It also suggested for further research in order to be comparable with Yayasan Pendidikan dan Koperasi in other regions in order to compare the model being studied.

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