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Budgetary Participation on Managerial Performance: Commitment Organization, Innovation Perception, and Job Relevant Information as Mediating Variable

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Abstract

This study aims to analyze the Effect of Budgetary Participation on Managerial Performance with Commitment on Organization, Innovation Perception, and Job Relevant Information as intervening variable. The population of this study is representing of the budget compilation team on the Echelon II unit at the Central Office Work Unit of the Ministry of Agriculture which sampling is done by census or total sampling method. The number of samples collected after the specified time limit is 64 units of work. Technical analysis used is Partial Least Square (PLS) with data processing using Smart PLS software Version 3.2.3. The result of hypothesis showed budget participation had positive and significant effect to managerial performance (H1), budget participation had positive and significant effect to commitment on organization (H2), budget participation had positive and significant influence to perception of innovation (H3), Based on the results of the analysis, it can be concluded that budgetary participation has an indirect effect on managerial performance through innovation perception variable.

Keywords: budgetary participation; managerial performance; organizational commitment; innovation perception; job relevant information.

1. Introduction

The performance of government agencies has always been in the spotlight, especially since the emergence of a more democratic climate in government, so that in assessing the performance of the organization can be done objectively, we need performance indicators, this is in accordance with the mandate of Law number 17 of 2003 on State finances. The ideal performance indicators should be related to cost efficiency, effectiveness and quality of service (Mardiasmo, 2004). In the central government, the meaning of budgetary participation is the Institution work units in the preparation of the State Budget (APBN), the head of the work unit at the Ministry/ Institution is the power of budget users who are given the opportunity to propose in relation to the implementation of the main duties and functions of the unit the work he leads. Budgetary participation in addition to being judged to have consequences for the attitudes and behaviors of members of the organization, will also affect managerial performance. Furthermore, Mardiasmo, (2004) argues that the budget has a function as a tool of performance appraisal. Performance will be assessed based on the achievement of budget targets and the efficiency of budget execution. The performance of public managers is judged by how much has been achieved in relation to the established budget.

Research on the relationship between budgetary participation on performance to be an interesting theme to be studied, because it is a study that is still much debated. Participation is seen as a managerial approach that can improve performance, but some studies conducted to examine the relationship between budgetary participation and performance are conflicting and debatable (Brownell and McInnes, 1986).

Prior research has been shown the empirical evidence of

mixed and inconsistent results, including the following: Hopwood, (1972) finds evidence that budgets negatively affect manager behavior when budgets are used to evaluate performance. According to Milani, (1975) stated that there is no significant influence between budgetary participation and managerial performance. Otley, (1978) who adapted Hopwood, (1972) study, found no evidence of a negative effect of budgetary use on performance, while Mia, (1988) found evidence of a non-significant negative relationship between budgetary use on performance. Brownell and McInnes, 1986; Chenhall and Brownell, (1988) found evidence that there was a positive and significant relationship between participation in budgeting and managerial performance. This shows the relationship between the participation of budgeting with performance both directly and indirectly, still showing inconsistent and conflicting results (Gul, 1995). The inconsistency of the results of the above study is generally due to the researchers using different perspectives in developing the theory of the relationship between budgetary participation and performance.

According to Govindarajan, (1986) states that to overcome inconsistent and contradictory research results a contingency approach is required. This suggests that the relationship between budgetary participation and managerial performance is allegedly influenced by various conditional factors or variables, including Moderating and Intervening variables that are considered to moderate and mediate the relationship between budgetary participation and the performance of Chenhall dan Brownell, (1988); Shields, (1998); Subraniam and Ashkanasy, (2001). This study will use Chenhall and Brownell, (1988) intervening variable view model to test the effect of the intervening variable. This study uses different intervening and respondent setting variables, with the addition of Job Relevant

Information (JRI) variable referring to Maria, (2009), due to Job Relevant Information as a conditional factor that is supposed to improve the relationship both directly and indirectly between the participation of budgeting and managerial performance. This research is designed to know the relationship of budget participation with management performance through commitment to organization, perception of innovation and Job Relevant Information as intervening variable to public sector environment.

2. Literature

The goal setting theory developed Gibson et al., (2012) explains the relationship between a defined goal and work performance. The basic concept of this theory is that someone who understands the purpose (what the organization expects for him) will affect his work behavior. This theory also states that individual behavior is governed by one's ideas and intentions. Goals can be viewed as goals/ levels of performance to be achieved by individuals. If an individual is committed to achieving his goals, then this will affect his actions and affect the consequences of his performance. In this theory it is also explained that challenging goal determination and measurable results will be able to improve work performance, followed by having the ability and job skills.

2.1. Budgetary Participation on Managerial Performance

Setting the goals of each budgeting team is very influential in improving the performance of managers, i.e. when objectives are planned and approved participatively, managers will internalize those goals and they will have personal responsibility to achieve them through engagement in the budget process (Milani, 1975). Participation in the budgeting process is considered by some to be a panacea to meet the need for self-esteem and accepting from members of the organization.

Several research results in this field have shown a positive relationship between participation and performance among others Brownell and McInnes, (1986); Chenhall dan Brownell, (1988) while the research group whose results show participation has a negative relationship with performance is Milani, (1975; Mia, (1988), while the results of Bryan and Locke, (1967) show that these two variables are contradictory or negative.

H1: Budgetary Participation has a positive effect on Managerial Performance

2.2. Commitment Organization on Budgetary Participation and Managerial Performance

Theory goal setting emphasizes the need to focus on setting organizational goals, this is the effect on the work of each employee. This theory is used as an approach in terms of budgeting participation, which states that the higher the participation of employees in terms of budgeting process, will have a commitment in completing the tasks undertaken, this encourages each in carrying out its function, so that each budget compilation team are required to have a commitment organization.

Nor et al., (2008) found evidence that budgetary participation influences organizational commitment. Nouri and Parker, (1998); Dick and Metcalfe, (2001) found that budgetary participation has a positive relationship with commitment organization. Nouri and Parker, (1998) argue that when managers are involved in the budgeting process, it will cause them to be more capable of accepting budget goals and organizational goals, thereby increasing commitment to the organization. Nor et al., (2008) found evidence that commits in the organization have a positive effect on managerial performance. Nouri and Parker, (1998) argue that commitment to organizational and managerial performance has a positive and significant influence. The higher

the commitment organization, middle management will feel to have the organization where it works so that making middle management will give better performance. Employees who have understood the purpose of the organizational unit will directly affect the quality of their work, this has been described in the Goal Setting Theory. Employees who are committed organization mean knowing and understanding the purpose of their organizational unit, this will encourage the quality of work so as to improve managerial performance.

According to Locke and Schweiger, (1979) demonstrate that commitment organization can improve managerial performance, while lack of commitment organization leads to confusion and dissatisfaction of the implementers, resulting in a decline in performance. Some studies support the positive effect of commitment on organization to managerial performance (Ivancevich, 1976; Imoisili, 1989). Managers who work without clear goals will be faced with high uncertainty over the achievement of the goals set previously. Based on the above description can be drawn hypothesis as follows:

H2: Budgetary Participation has a positive effect on Commitment Organization

H2a: Commitment Organization has a positive effect on Managerial Performance

H2b: Commitment Organization mediates the relationship between Budgetary Participation on Managerial Performance.

2.3. Perception Innovation on Budgetary Participation and Managerial Performance

Individual involvement in budgeting is a means of contributing ideas, innovations and thoughts for the benefit of the organization. The basic concept of goals-setting theory is that individuals who understand the goals of the organizational unit will influence their work behavior, so that ideas, innovations, and thoughts will continue to grow in line with the individual's understanding of the vision and mission of his organizational unit (Gibson et al., 2011).

Nor et al., (2008) found evidence that budget participation had a positive effect on perceptions of innovation. Subraniam and Ashkanasy, (2001) found evidence that budget participation would foster manager's perceptions of innovation. Managers feel that their creative ideas are valued by the organizations they work in which will foster higher innovation. According to Borins, (2001) revealed that innovation occurs because of organizational cooperation in problem solving. Cooperation is applied in the process of preparing the budget.

Theory goal setting arises when the individual has a clear purpose, then the individual has a high motivation (Locke, and Schweiger, 1979). This motivation encourages employees to provide ideas, innovations and ideas to achieve the objectives of their units of organization, thereby improving the quality of the performance of its organizational units.

Williams et al., (1990) argues that innovation argues that innovation is also important in the public sector, such as improving quality, enhancing departmental reputation and organizational performance. Nor et al., (2008) states that managers' perceptions of innovation illustrate the extent to which managers consider themselves to be innovative, so managers with high perceptions of innovation will have better quality of managerial performance.

Borins, (2001) argues that the interaction between budget participation, perception of innovation, and attention to detail will lead to increased managerial performance. The results of this study indicate that managers who have a high perception of innovation will improve performance. Managers who have a high perception of innovation will make it more innovative and creative in slowing down their jobs so that performance will improve. Damanpour, (1989) found evidence that innovation depends on cooperation between organizations when solving problems.

H3: Budgetary Participation has a positive effect on Innovation Perception

H3a: Innovation Perceptions has a positive effect on Managerial Performance

H3b: Innovation Perceptions mediate the relationship between Budgetary Participation on Managerial Performance.

2.4. Budget Participation on Job Relevant Information

According to Gibson et al., (2012) suggests that goal setting is a process involving superiors and subordinates together in the determination or determination of goals or work goals to be implemented. In the context of this research, the employees involved in budgeting will be more committed when together in the determination and determination of the objectives of the work objective, so that they can use the information they have to arrange and implement the budget more quickly and accurately. This is a driving factor in running the organization for achievement of performance.

Candra, (2009) states that budgetary participation will generate motivation in managers to obtain and use the best information to use as a basis for budget decision making, so in this case managers will consider the actions that will be done. In other words, managers will participate to obtain and use more accurate information.

Relevant information in accordance with the work will be obtained when employees have clear and definite objectives, and the means for transferring information from subordinates to superiors through organizational unit objectives are clear and measurable, resulting in better organizational unit performance. This is consistent with the theory of goal setting when the stated goal will produce relevant information if one accepts the goal (Gibson et al., 2012).

Nouri and Parker, (1998) stated that if subordinates participating in the budgeting process can result in the disclosure of private information they have, such information can help to plan and produce a more accurate budget. Candra, (2009) argues that job relevant information will help subordinates improve their actions through better action, resulting in an increase in managerial performance.

Subordinate involvement in the budgeting process will make it possible for them to provide information that is known. In this case it may be that subordinates disclose the information it obtains that can be entered into the determination of the budget. Kren, (1992) uses job-related information variables as intervening variables to explain the relationship between budgetary participation and managerial performance. From these studies found evidence that budgetary participation is not directly related to managerial performance, but participation is positively related to managerial performance through JRI, and with the acquisition of JRI managerial performance will increase.

The research of Vincent and Chong, (2002); Kusnasriyanti and Ghozali (2005), resulted in the finding that job relevant information had a positive effect on managerial performance, in which Vincent and Chong, (2002) research had significant positive effects, but in Kusnasriyanti and Ghozali (2005) positive and insignificant influence. Candra, (2009) argues that job relevant information will help subordinates improve their actions through better action, resulting in an increase in managerial performance. Information generated during the participatory process will increase the ability of subordinate individuals in performing their duties. If relevant information can help subordinates to improve and improve their choice of action more appropriately, then with relevant information will improve performance. With participation in budgeting will create job relevant information, the existence of job relevant information will of course improve managerial performance.

H4: Budgetary Participation has a positive effect on Job Relevant Information

H4a: Job Relevant Information has a positive effect on

Managerial Performance

H4b: Job Relevant Information mediates the relationship between Budgetary Participation with Managerial Performance.

Based on the above description, the researcher looks for the direction and significance of the relationship if the manager gets sufficient participation in the budgeting process whether it can improve performance through intermediary commitment organization, innovation perception and job relevant information, which is described as follows:

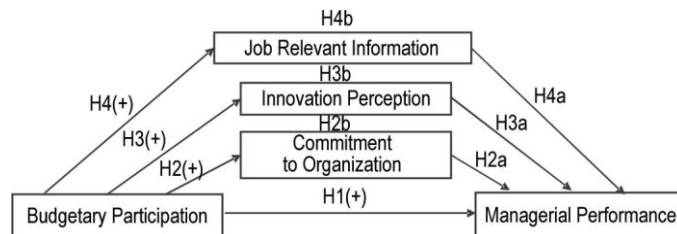


Figure 1. Theoretical Framework

3. Research Method

3.1. Sample and Data Collection

This study is an empirical study with a population of all representatives of the budgeting team in the echelon II unit of the Ministry of Agriculture headquarters, with data collection using the census method, so that the data obtained is a calculation of all elements in the study population (Sekaran, 2006). The tool used in collecting data with questionnaires distributed to the entire population of 64 units of work, with respondents research is one member of the work unit planning team that is directly related to the preparation of budget work unit scope in echelon unit II headquarters of the Ministry of Agriculture which is an official structural, consisting of heads of departments, sub-district heads, subdirectorates heads or section heads headed by echelon II unit heads at the Ministry of Agriculture.

3.2. Analysis Method

This research uses technical variance-based statistical SEM or Partial Least Square (SEM-PLS) analysis, because it is more powerful, so it can be used to build research model with many variables and indicators, can draw the model in graphical form, is distribution-free and still many more advantages possessed PLS. Hypothesis testing using path analysis structural because of each variable has one dimension of measurement. Testing is done by using analysis tool SmartPLS and assisted with SPSS to test Descriptive Statistics. PLS developed first times by Herman Wold in 1966 as a general method for estimating path models which uses latent constructs with multiple indicators (Ghozali, 2006).

3.3. Result and Discussion

The data was collected using questionnaires instrument delivered directly to representatives of budget composition team of work unit of echelon II of head office of Ministry of Agriculture, 64 respondents. The basis of calculating the range of theoretical mean values and the range of actual mean values using the frequency of respondents' answers above, along with the theoretical range, actual range, mean, and standard deviation can be seen in Table 1.

H1 which states that participation has a positive and significant effect on managerial performance is **accepted**. The results of this study are in line with research conducted by Supriyono, (2004); Nor et al., (2008); Ermawati, (2012); Setiadi, and Yuyetta, (2013) which also states that budgetary participation has a positive and significant effect on managerial performance. However, the results of this study are not in line with the research conducted by Candra, (2009) which states that

Variables	Number of Valid Indicators	Theoretical		Actual		
		Range	Mean	Range	Mean	Standard Deviation
Budget Participation	6	6-30	18	11-29	23.25	3.35
Managerial Performance	10	10-50	30	20-49	37.77	6.04
Commitment Organizations	8	8-40	24	31-45	38.05	3.66
Innovation Perception	6	6-30	18	14-30	23.31	3.39
Job Relevant Information	4	4-20	12	11-20	16.80	1.96

Table 1.
Descriptive Statistics of Research Variables

Source:
SPSS 21 output is processed, 2018

Hypothesis	Path Coefficient (β)	Standard Error	T- Statistics	P- Value	Information
PA -> KM	0.335	0.128	2.612	0.009	Accepted
PA -> KO	0.513	0.071	7.212	0.000	Accepted
KO -> KM	0.055	0.121	0.453	0.650	Rejected
PA -> PI	0.540	0.084	6.415	0.000	Accepted
PI -> KM	0.376	0.117	3.207	0.001	Accepted
PA -> JRI	0.627	0.080	7,790	0.000	Accepted
JRI -> KM	0.194	0.118	1.644	0.101	Rejected

Table 2.
Path Coefficient, t-statistics, and Significance of Hypothesis Testing Indirect Relationship

Source:
SmartPLS Results 3.2.3, 2018

VARIABLES	Path Coefficient (β)		Standard Error (STERR)		The value of Z	Information
	A	B	Sa	Sb		
PA -> KO -> KM	0.513	0.055	0.071	0.121	0.453	Rejected
PA -> PI -> KM	0.540	0.376	0.084	0.117	2.624	Accepted
PA -> JRI -> KM	0.627	0.194	0.080	0.118	1.576	Rejected

Table 3.
Test a sobel

Source:
SmartPLS Results 3.2.3, 2018

budget participation has a negative and insignificant effect on managerial performance. The results of this study mean that the higher budget participation in an organization, the higher it will be understood in the application of management functions to the budgeting team in the organization. Budget participation is built by taking into account organizational goals that have been set. As the theory of goal setting used in this study budget participation is a means to measure the achievement of organizational goals by each manager, so that the higher employee participation in terms of the budget preparation process, will encourage employee motivation to successfully complete the task, obtain awards, responsibility for work, and avoid dissatisfaction in work, so that each employee involved in the preparation of the budget will be more motivated in improving its performance.

H2 which states that participation has a positive and significant effect on managerial performance is **accepted**. The results of this study are in line with research conducted by Nouri and Parker, (1998); Dick and Metcalfe, (2001); Nor et al., (2008) which state that budget participation has a significant positive effect on commitment organization. It can be concluded that the higher the level of participation in the preparation of the work plan and budget by the budgeting team, it will encourage the commitment invested in the organization, on the contrary, the weaker the level of budget participation, the worse the commitment organization. As explained in the theory of goal setting which states that giving emphasis to the focus of setting organizational goals, this is what influences the work of each employee.

H2a which states that the commitment organization has a positive effect on managerial performance is **rejected**. This is caused by the high commitment organization has not been able to provide comprehensive information for managers in completing managerial tasks so as not to achieve management functions. The results of this study are in line with research conducted by Parker and Kyj (2006) which also states that commitment organization does not affect managerial performance. However, the results of this study are not in line with the research conducted by Supriyono, (2004); Nor et al., (2008); Ermawati, (2012); Setiadi, and Yuyetta, (2013) which states that commitment organization has a positive and significant effect on managerial performance. The results of this study cannot be explained through the Goal Setting Theory which states that commitment organization will direct someone to achieve higher performance. The better the commitment organization, the higher the achievement of manager's performance.

H2b which states that the commitment organization mediate

partially the effect of budgetary participation on managerial performance is **rejected**. The results of this study are in line with Parker and Kyj, (2006) which also states that commitment organization cannot mediate the relationship between budget participation and managerial performance, but not in line with the research of Nor et al., (2008) found evidence that budgetary participation influences managerial performance through variable commitment organization. Commitment organization is not a mediating variable in the relationship between participation in budgeting and managerial performance, this means that this variable does not affect the participation variables in the preparation of the budget and then affects the managerial performance variables. Based on the previous discussion, it can be interpreted that when the budgeting teams are involved in the preparation of the budget, they will have a high level of commitment organization, but will not affect the performance of the budget preparation team, because it is caused by high commitment organization not yet able provide comprehensive information for managers in completing managerial tasks so that management functions have not been achieved.

H3 which states that the participation of a significant and positive impact on the perception of innovation be **accepted**. The results of this study are in line with research conducted by Subraniam and Ashkanasy, (2001); Nor et al., (2008); Ermawati, (2012) which states that budget participation has a significant positive effect on perceptions of innovation. It can be concluded that the higher the level of participation in the preparation of work plans and budgets by the budgeting team, the higher the possessed perception of innovation. Conversely, the weaker level of budget participation, the lower the perception of innovation. The goals of states that when individuals play a role in an organizational unit will influence their work behavior, so ideas, innovations, and thoughts will continue to evolve in line with individual understanding. of the vision and mission of the organizational unit.

H3a which states that the perception of innovation has a positive and significant effect on managerial performance is **accepted**. The results of this study are not in line with the research conducted by Nor et al., (2008); Ermawati, (2012) which states that the perception of innovation has no effect on managerial performance. The results of this study are in line with the Goal Setting Theory which states that respondents' judgments about high planning team's perceptions of innovation include clarity of goals and processes, so that ideas, innovations, and thoughts will continue to develop which will lead them to achieve higher

H3b which states a perception of innovation partially mediates the effect of budget participation on managerial performance is **accepted**. The results of this study are in line with Borins (2001) which states that budgetary participation influences managerial performance through innovation perception variables, but not in line with the research of Nor et al., (2008) who found evidence that innovation perceptions cannot mediate relationships between budget participation in managerial performance. Perception of innovation as a mediating variable in the relationship between participation in budgeting and managerial performance, means that this variable is influenced by participation variables in budgeting and then influences managerial performance variables. Based on the previous discussion, it can be interpreted that when structural officials are involved in the budget preparation team, they will have a high level of innovation perception, increasing perceptions of innovation will affect the performance of the budget participation team. With involvement in the preparation of the budget, innovative decisions and attitudes that make up the budget will increase, thus affecting their behavior, which tends to be positive as indicated by the increase in knowledge, quick response, new ideas, risk taking, careful take risks, and always provide input in decision making. This positive attitude will help them to give their best efforts in achieving their budget goals and to improve their performance which in turn will have an impact on achieving organizational goals effectively and efficiently in order to improve and add to the activities of the Ministry of Agriculture.

H4 which states that the participation of a significant and positive impact on job relevant information is **accepted**. The results of this study are in line with research conducted by Kusnasriyanti and Ghozali, (2005); Candra, (2009); Maria et al., (2009) which states that budget participation has a significant positive effect on job relevant information. It can be concluded that the higher the level of participation in the preparation of work plans and budgets by the budgeting team, it will encourage the acquisition of relevant workplace information. The results of this study are in line with the theory of goal setting which states that when individuals play a role in the organizational unit it will influence the process of the involvement of superiors and subordinates jointly in determining or setting goals or work objectives to be carried out.

H4a which states that job relevant information have positive and significant effect on managerial performance is **rejected**. The results of this study are in line with research conducted by Kusnasriyanti and Ghozali, (2005); Burney and Widener, (2007) which states that job relevant information has no effect on managerial performance. However, the results of this study are not in line with research conducted by Candra, (2009); Maria et al., (2009) which also states that job relevant information affects managerial performance. The results of this study are not in line with the Goal Setting Theory which states that an individual needs information about where this organization will run in order to estimate the ability to take steps and initiatives. More comprehensive information is obtained from performance measurement tools that include financial and non-financial information. This information must correctly describe performance indicators so as to motivate managers in completing work (Kanter, 1989).

H4b which states that relevant information mediates partially the influence of budgetary participation on managerial performance is **rejected**. The results of this study are in line with Kusnasriyanti and Ghozali, (2005) which also states that job relevant information cannot mediate the relationship between budgetary participation and managerial performance, but is not in line with Candra, (2009); Maria et al., (2009) found evidence that budgetary participation influences managerial performance through job relevant information variables. Job relevant information is not a mediating variable in the relationship between budgetary participation and managerial performance, this means that this variable does not affect the participation variables in the preparation of the budget and then affects the managerial performance variables. Based on the previous

discussion, it can be interpreted that when the budgeting teams are involved in preparing the budget, they will have a high level of effectiveness in using job relevant information, but it will not affect the performance of the budget preparation team, because it is caused by the high effectiveness of job use. Relevant information is not able to provide comprehensive information for managers in completing managerial tasks so that management functions have not been achieved.

4. Conclusion

The results of this study indicate that budget participation implemented by the Ministry of Agriculture has been able to provide added value through managerial performance either directly or indirectly, the indirect relationship between the influence in mediation through innovation perceptions of each budget drafting team in echelon unit II office central Ministry of Agriculture in order to achieve the mission, goals, and objectives of the organization. This is in line with the application of goal-setting theory which states that when the individual has a clear purpose, then the individual has a high motivation (Locke and Schweiger, 1979).

Research this has several limitations, including study is done at the ministry of agriculture, but it can not represent the central government, this research only use 3 (three) variable as intervening, which is likely beyond the 3 (three) of these variables are still many other variables, and this study evaluates managerial performance on the basis of self-perceptions of representatives of the budgeting team that may be biased in the results assessment .

Suggestions for future research improvements are expected to extend the scope of the research in order to make a more meaningful contribution in the public sector budget of the organization, to consider investigating other mediating variables such as motivation, budget adequacy and emphasis, and using interview methods in addition to questionnaires to obtain information better and more credible data.

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