Decentralization, Budget Participation and Managerial Work Achievements

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1. INTRODUCTION

The budgeting process is an important activity and involves various parties, both top-level managers and lower-level managers who will play a role in preparing and evaluating various alternatives to budget goals, where the budget is always used as the best benchmark for managers' performance. (Kren Leslie, 1992) in Hapsari and Murtanto (2006). It is hoped that in participatory budgeting the manager's performance will increase, where when a goal is designed and participatively approved, employees will internalize the goals set, and have a sense of personal responsibility to achieve them because they are involved in budgeting. The budget establishes responsibility for each responsibility center in the functional area, so that it is expected to improve managerial performance. (Hapsari and Murtanto, 2006).

Managers need the ability to predict the future to produce an effective budget by considering various factors in anticipating ever-changing circumstances so that the company can survive and thrive (Zamecnik & Rajnoha, 2015). Companies are also required to manage and maximize all existing resources in the company, so management requires all information, especially information related to budgeting tasks to achieve maximum performance. (Rahmawati, 2011). In general, the management of authority in an organization can be grouped into centralized and decentralized. Centralization is the centralized management of authority, while decentralization itself is the delegation of authority from top management to their subordinates. Decentralized management of authority is expected that decisions can be made quickly so that it does not interfere with company operations. In addition, with decentralization, decisions can be made by one party so that there is no confusion in decision making (Widodo and Windi, 2011).

Research on decentralization and budgetary participation on managerial performance has recently been an area of research that has experienced a lot of debate, thus attracting researchers' interest to conduct further research on this effect. The results obtained from several studies show results that cannot be concluded conclusively. As research conducted by Herdiansyah and Prastiw (2012) states that decentralization has a positive effect on managerial performance. Davis and Newstroms (1985) in Soobaroyen and Poorundersing (2008) support that decentralization will improve managerial

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ABSTRACT

Research on decentralization and budget participation on managerial performance lately is a field of research that many have debates, thus attracting the interest of researchers to conduct further studies of the influence. The population in this study is the manager of the Company's manufacturing industry with sampling purposive sampling techniques. The analysis tool to test the hypothesis using simple regression analysis. Research generates Decentralization positive and significant impact on Managerial Performance, meaning that the higher the decentralization of the motivation of the manager with the unmet need for self-actualization. Participation Budget negative and significant effect on Managerial Performance. This means that in the preparation of the budget involved some employees may of them have properties that are less concerned about the budget so that less cooperative.
performance. However, this is different from the research results Jaryanto (2008) which explains that there is no direct effect of decentralization on managerial performance. Research conducted by Sumarno (2005) results that budget participation has a negative effect on managerial performance, while Wibowo (2006) states that budget participation has a positive effect on managerial performance.

The inconsistency of the results of research on the variables of decentralization and budgetary participation on managerial performance may be due to situational factors that exist, both outside and within the company in Serang dan Cilegon, because in manufacturing companies many examples of decentralization and budgetary participation are applied, the purpose of this study is to determine the effect of decentralization and budgetary participation on managerial performance.

2. HYPOTHESES DEVELOPMENT

Performance is an important factor used to measure the effectiveness and efficiency of the organization. According to Supomo and Indriantoro (1998) in Ngatemin (2009) argued that managerial performance is the performance of individual members of the organization in managerial activities, including: planning, coordination, supervision, staffing, negotiation, and representation. For the organization itself, managerial performance can be a measure of the extent to which managers carry out management functions. Performance appraisal is a periodic determination of the operational effectiveness of an organization, its parts of the organization and its personnel, based on previously established goals, standards and criteria. motivate personnel in achieving organizational goals. In the organization, leadership performance measurement is carried out to assess how well the leader performs the main tasks and functions delegated to him during a certain period. (Ngatemin, 2009).

Decentralization is the delegation of authority and responsibility to managers. The level of delegation itself indicates to what extent higher management allows lower management to make policies independently (Heller and Yulk, 1989) in Dwirandra (2006). Delegation given to lower management (subordinate) in decision-making authority (decision making) will also be followed by responsibility for the activities they do. Authority is giving the right to determine the assignment, while responsibility is the obligation to achieve the assigned task (Hellriegel and Slocum, 1987) in Dwirandra (2006).

Decentralization in the form of distributing authority to lower management is needed because of the increasingly complex administrative conditions, tasks, and responsibilities. By delegating authority, it will help ease the burden of higher management. (Thompson, 1986 in Dwirandra, 2006) emphasizes that decentralization is needed in response to an unpredictable environment. (Govindarajan, 1986 in Dwirandra, 2006) shows that a high level of decentralization is the right form to deal with increasing uncertainty so as to support the achievement of better managerial performance (Dwirandra, 2006).

From the description above, it can be seen that decentralization has an effect on managerial performance. This is in accordance with research conducted by Herdiansyah and Prastiwi (2012) who concluded that decentralization had a positive effect on managerial performance. Likewise, research conducted by Jaryanto (2008) concluded that decentralization had an effect on managerial performance.

\[ H_1 = \text{Decentralization affects managerial performance.} \]

Budget participation is defined as the involvement of responsibility center managers in budget preparation (Govindarajan, 1986). Meanwhile, according to Kennis (1979) budgetary participation is the level of manager participation in preparing the budget and influencing the achievement of budget goals in the responsibility center. Argyris (1952) states that the key to effective performance is if the objectives of the budget are achieved and the participation of subordinates plays an important role in achieving these goals. Siegel and Marconi (1989) argues that the participation of managers in budgeting will lead to initiatives for them to contribute ideas and information, increase togetherness and a sense of belonging so that cooperation among members in achieving goals also increases. Furthermore, Milani (1975) stated that the level of participation and influence of subordinates on decision making in the process of preparing the budget is the main factor that distinguishes between participatory budgeting and non-participatory budgeting. (Darmawanti, 2004).

It is hoped that the preparation of a participatory budget will increase the performance of
managers (Armstrong & Baron, 2005). This is based on the idea that when the goals or standards designed in a participatory manner are approved, employees will internalize the goals or standards set, and employees also have a personal sense of responsibility to achieve them because they feel they are involved in budgeting. (Mia, 1989).

According to Dunk (1990), performance is declared effective if the budget objectives are achieved and subordinates have the opportunity to be involved or participate in the budget preparation process and motivate subordinates, identify and negotiate with superiors regarding budget targets, accept budget agreements and implement them so as to avoid the negative impact of the budget, namely performance criteria factors, reward systems (reward) and conflict. Next Brownell and Mc Innes (1986) as well as Frucot and Shearon (1991) found a positive effect of budgetary participation on managerial performance. Meanwhile, research by Sumarno (2005) concluded that budget participation has a negative and significant effect on managerial performance.

\[ H_2 = \text{Budget participation affects managerial performance} \]

3. METHOD

Population and Sample

The population in this study were managers from industrial manufacturing companies in Serang and Cilegon. The sampling technique used was purposive sampling (Creswell, 2014) with the following sample criteria: Managers who have at least three years of work experience, with a position as middle manager because they play an important role in decision making and are managers structure that has subordinates and superiors, namely financial managers, production managers, marketing managers.

This research used multiple linear regression for data analysis (Nurhasanah & Vikaliana, 2021). Software SPSS was used to support data analysis (Vikaliana & Irwansyah, 2019).

1. Variable Operationalization

| Variabel | Definisografi | Indikator | Sumber |
|----------|---------------|-----------|--------|
| Decentralization (X1) | According to Dwirandra (2006) decentralization is the delegation of authority and responsibility to managers. | - Development of new products/services - Hiring, laying off employees - Investment decision - Budget allocation - Pricing decisions | Herdiansyah and Pratiwi, 2012 |
| Budget Participation (X2) | Participation in budgeting is a process where the individual whose performance is measured and obtains awards based on the achievement of budget targets and have an influence in the preparation of the budget (Wibowo, 2006). | - Participation of managers and their influence in setting budget goals - Participation of managers in formulating budget goals - Participation of managers in setting budget targets in a controlled manner. - Participation in the expression of opinions and thoughts of superiors by managers - Participation in decision making based on manager satisfaction | Ngatemin, 2009 |
| Managerial Performance (Y) | Menurut Mahoney et.al (in Wibowo, 2006) | 1. planning 2. investigation 3. coordination | Ngatemin, 2009 |
Hypothesis testing

After the collected data is tested for validity and reliability, and through classical assumption testing first, then hypothesis testing is carried out. Statistical analysis of research data using the program SPSS. The analytical tool to test the hypotheses used is simple regression analysis.

\[ Y = a + b_1X_1 + b_2X_2 + e \]

Uji Koefisien Regresi Partially (Uji Statistik t)

Test the significance of the coefficient (bi) done with statistics -t (student-t). This is done to partially test the regression coefficient of the independent variable (Ghozali, 2006:55). The test is carried out using the level of significance 0,05 (α = 5%) (Ghozali, 2006).

4. RESULTS AND DISCUSSION

This study conducted data processing for 42 questionnaires. Data was collected using questionnaires, so the sincerity of the respondents in answering the questions was very important in the study.

The validity test of the decentralized variable shows that all question items in the questionnaire have *item-total correlation* >0,257. The budgetary participation variable has *item-total correlation* >0,257. The performance variable has *item-total correlation* >0,257. So it can be concluded that all question items in the questionnaire are valid. The results of the calculation of the reliability test of the decentralized variable value of Cronbach’s Alpha as big as 0,721> 0,60 budget participation variable 0,761> 0,60 and managerial performance variable of 0,747> 0,60, so it can be concluded that the questions on the variable X1, X2, and Y declared reliable (andal).

To determine the effect of decentralization and budgetary participation on managerial performance, a regression test was used with the following equation results:

\[ Y = a + b_1X_1 + b_2X_2 + e \]

\[ Y = 28.834 + 186X_1 - 1.646X_2 + e \]

Based on the results of the t-statistical test, it is known that the regression coefficient of the decentralization variable is 0.186 with a significant profitability of 0.003 less than 0.05, which means that decentralization has a positive and significant effect on managerial performance. The results of this study are in accordance with research conducted by Herdiansyah and Prastiwi (2012) which concluded that decentralization has a positive influence on managerial performance (Parasuraman et al., 1996), which means that decentralization improves managerial performance. *sense of belonging* (merasa diterima), *sense of importance* (merasa dibutuhkan) dan *sense of participation* (feel included) (Anwar Prabu, 2005). These results are in line with the research of Davis and Newstorm (1985) in Soobaroyen and Poorundersing (2008) supporting that decentralization will improve managerial performance.

5. CONCLUSIONS

Decentralization has a positive and significant effect on managerial performance. This means that the higher the decentralization of the motivation of managers with the fulfillment of self-actualization needs, namely: *sense of belonging* (feel welcome), *sense of importance* (feel needed) and *sense of participation* (feel included), it will greatly affect the Managerial Performance. Budget Participation should be held at the following levels:

- Decentralization
- Budget Participation
- Managerial Performance

These results are important in the implementation of management in organizations so that they can improve the performance of managers.
has a negative and significant effect on Managerial Performance. This means that in the preparation of the budget several employees are involved, some of whom may have a nature that is less concerned about the budget so that they cannot be invited to cooperate, so it has a negative and significant effect. Future research is expected to further expand the research variables and even contain moderating variables such as environmental uncertainty, task uncertainty, business strategy, dll.

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