

# INFLUENCE OF MANAGERIAL PERFORMANCE AGAINST PARTICIPATION BUDGET WITH ORGANIZATIONAL COMMITMENT AS A MODERATING VARIABLE ON THE REGIONAL DRINKING WATER COMPANY (PDAM) TIRTANADI OF MEDAN

Baihaqi Ammy

Faculty of Economics and Business, University Muhammadiyah Of North Sumatra  
Jalan Kapten Mukhtar Basri No. 3, Telephone (061) 6624567 Medan, 20238

E-mail: [baihaqiammy@gmail.com](mailto:baihaqiammy@gmail.com)

## ABSTRACT

*This research aims to prove whether there is influence between participation and managerial performance budgets to prove whether there is influence between the participation budget with managerial performance with organizational commitment as PDAM Tirtanadi moderating variables on the terrain. This type of research is a causal association. The technique of determination of the sample used is the census. The data used was obtained through questionnaires to the deployment of 32 employees who were on the level of management. This data will be analyzed using Multivariate Data analysis methods, where this method is a method of descriptive statistics and inferential that are used to analyze the data more than two variables of the study. Testing the quality of the data used is the validity of the data and test reliability. A classic assumption test used is the test of normality, multicollinearity test, and test heteroskedasticity. Hypothesis testing is a test – testing – t, F. This research resulted in the discovery of the three as has been proposed in the research hypothesis. First, the participation of influential managerial performance against budget. Second, the participation of the budget jointly with organizational commitment effect significantly to managerial performance. Third, the variable of organizational commitment is not moderating variable.*

**Keyword:** *Participation Budget, Organizational Commitment, Managerial Performance.*

## 1. INTRODUCTION

The process of preparation of the budget is an important activity and involve many parties. In order to make their implementation runs effectively, the executor should participate to plan your budget and strive so that the budget can be achieved. But more important is the extent to which the level of participation or role in the preparation of the budget, because in fact the approved budget basically always describes a mutual agreement from many people in the organization or the company.

Performance Manager is a factor that supports the effectiveness of the organization.

Mahoney et. Al (1963) saw the performance of managers is based on the ability of managers in carrying out the task managerially. Performance Manager includes the ability of managers in planning, investigation, supervision, evaluation, coordination, negotiations, staff selection, representation and performance as a whole.

PDAM Tirtanadi regional company which is engaged in the field of processing of raw water into clean water, which has 15 branch offices in the area and surrounding Terrain. The regional drinking water company (PDAM) Tirtanadi of Medan is a company belonging to the local government level I. PDAM Tirtanadi of Medan Sisingamangaraja Street

no.1 Medan. In terms of spending on operating costs in advance, putting together a budget that will serve as the standard implementation of operational costs. The realization of operating cost budget 2011 period up to 2015 are often experiencing unfavourable deviations, which can be seen in Table 1.1:

Table 1.1: Budget and Realization of Operational Costs PDAM Tirtanadi Medan Period 2011 - 2015

Period	Budget (Rp)	Realization (Rp)	Difference (Rp)	The Percentage	Description
2011	18.219.09.018	5.060.274.892	13.158.734.126	72,23 %	P
2012	4.575.586.253	5.332.852.515	-757.266.262	16,55 %	NP
2013	5.173.951.074	5.152.360.936	21.590.138	0,42%	P
2014	6.932.834.805	7.444.350.035	-511.515.230	7,05%	NP
2015	9.521.889.077	9.941.512.440	-419.623.363	6,10%	NP

Description:

P: profitable

NP: not profitable

From table 1.1, it can be seen that a budget is not always in line with its realization, this is due to the lack of involvement of subordinate participation in the budget at Regional drinking water Company (PDAM) Tirtanadi of Medan after writers conduct interviews early.

According to Nur Indriantoro (1993) and Bambang Supomo (1998), the performance is declared effective in goal the budget is reached and subordinates got a chance involved or participating in the process of preparing the budget and motivating subordinates, identify and negotiating with superiors about the target budget, received the agreement of the budget and implementing it so that it can avoid the negative impact of budget performance criteria factors i.e., an in-flight rewards (reward) and conflict.

According to (Argyris, 1952), Pseudoparticipation (pseudo participation), which means that the company uses participation in budgeting participation when in fact it is not. In this case, the subordinate was forced to declare the agreement against a decision that will be applied because the company requires their approval.

This research was conducted at North Sumatra Province PDAM Tirtanadi. The reason PDAM Tirtanadi of North Sumatra was chosen because the lack of involvement of subordinate

Regional drinking water company (PDAM) in North Sumatra Province Tirtanadi participation budget writers conduct interviews after the start.

Based on the description found in the background, then that is a staple of the problem in this research are:

- Does participation affect managerial performance budget at PDAM Tirtanadi of North Sumatra?
- Does participation affect managerial performance budget with the organization commitment as a moderating variable on PDAM Tirtanadi of North Sumatra?

## 2. LITERATURE REVIEW

### 2.1 The Participation Of The Budget

According to Brownell (1982) in Supomo and Indriantoro (1998) States that "participation in the drafting of the budget is a process where individuals involved in the preparation of the budget target, and then the individual evaluated its performance and obtain the award is based on a target budget".

Instruments used in measuring this variable was adopted from Milani (1975). There are six items that are used to measure participation in the preparation of the budget, namely:

- Participation in the preparation of the budget
- Satisfaction in the preparation of the budget
- The need of giving opinions
- The willingness in giving opinions
- The magnitude of the effect on the determination of the final budget
- Often the boss asking for opinions or proposals when the budget was being drawn up.

### 2.2 Managerial Performance

According to Hasibuan (1997) says "managerial Performance is a result of work achieved a Manager in carrying out tasks charged to him based on skills, experience, and commitment as well as time."

Performance is an important factor that is used to measure the effectiveness and efficiency of the organization. In this study, the performance of the description used in reference to research Mahoney et al, (1963) in Supomo and Indriantoro (1998). Managerial performance is based on the functions of the existing management functions – in classical theories of management: planning, coordination, evaluation, staffing arrangement, negotiation, investigation, representation, and supervision.

### 2.3 Organizational Commitment

The organization is a coordinated unit consisting of two or more people and achieve a certain goal or target. Organizational commitment is a personal value that is sometimes referred to the attitude of the loyal company/organization or commitment to the company. Robinson (1996) in Ikhsan and Isaac (2005) suggests that the commitment of employees to the organization is one of attitude that reflects the feelings of like or dislike an employee to organizations where she worked.

Aranya, et al (1980) defines the commitments of the Organization as:

- a. A belief in and acceptance of the objectives and values of the Organization and/or profession.
- b. A willingness to do the painstaking efforts to the interests of the Organization and or profession
- c. A desire to maintain membership in the Organization and/or profession.

### 2.4 Effect of Participation Budget on Managerial Performance

Participation in the preparation of the budget is expected to increase managerial performance, i.e., when the goal has been planned and approved in participatory, employees will internalize these goals and they will have responsibilities in to achieve this through personal involvement in the process of the budget (Milani, 1975).

According to Brownell (1982) participation is generally rated as a managerial approach that can improve the performance of members of the organization. Brownell (1982) do research on cost centre manager 48 medium level in San Francisco which measures the relationship between participation in managerial performance budget and find a positive and significant relationship. Brownell and McInnes (1986) also conduct research through 224 respondents from a midlevel Manager at three manufacturing companies. They found that a high participation in the preparation of the budget increases managerial performance.

### 2.5 Effect of Participation Budget on Managerial Performance and Organizational Commitment

This fundamental research on the idea that participation in the preparation of the budget relating to the commitment of the organization can improve the performance of managerial. A strong organizational commitment encourages individuals

to strive purpose organizations (Angel and Perry, 1981; Porter et. Al., 1974).

Bambang Sardjito (2005) examined the small industries in Bugangan temples of Semarang who totalled 198 and there is a positive influence on organizational commitment relationship participation budget and performance manager. Sumarno (2005) examined the influence of organizational commitment of the relationship between participation and managerial performance budget. Respondents to the Research Office Manager main branch banks in Jakarta, a number of 90 questionnaires and produce the influence of organizational commitment against the relationships of managerial performance and participation budget is positive and significant.

### 2.6 Previous Research

Research participation and managerial performance budget have been widely performed, either at the manufacturing company or service company that is non-positive motifs such as Private Colleges with a variety of additional variable modification. These studies include:

- a. Brownell (1982) in Supomo and Indriantoro (1998) do fieldwork against the cost centre manager 48 secondary level who work in companies large-scale manufacture in San Francisco. This research uses instruments Milani (1975) to measure the participation of budgeting instrument Mahoney et al. (1963) to measure the performance of the managerial, found a significant and positive relationship between participation with the performance managerial.
- b. Indriantoro (1993) doing fieldwork on the company in a variety of sizes and types of industries located in Jakarta. Based on the answers of Manager 179 share functionality among others accounting, administration, production, marketing and information systems, the study found that participation in the drafting of the budget will increase managerial performance.
- c. Research Elizar Sinambela (2003) committed against the Dean-Dean at a private college in Medan showing that participation in the preparation of the budget to have a positive influence on the performance of managerial.
- d. Soemarno (2005) examined the influence of managerial performance against budget participation by taking variable contingencies organizational commitment

and leadership style. The respondents of the research are Manager branch offices of major banks in Jakarta with a population of 170 branch offices. The results of this study stated that there are influence significant negative relationships between managerial performance and participation budget, there is a significant positive influence on organizational commitment against the relationships of managerial performance and participation budget, and the influence of the leadership style of the relationship between the budget and the performance of managerial participation is not significant.

### 3. RESEARCH METHODS

The population in this research is the head of the IE manager consists of several divisions of the PDAM Tirtanadi of Medan. Sampling technique used was the census, because of the whole foundation of the population sample, i.e. a number of 32 samples. This research uses a large sample ( $n > 30$ ). Census techniques used with consideration of:

- The relative lack of population and spread in one company to be in one Field.
- The greater the number of samples is approaching a population of generalization error then the chance of getting smaller and rather fewer number of samples away from the population than the greater the generalization error (Sugiyono, 2008:79).

Table 1.2: Sample Research

No.	Unit	Total
1.	Division of planning	4 people
2.	Production division	4 people
3.	Division of management information systems	2 people
4.	Financial division	2 people
5.	General division	2 people
6.	Human resources division	2 people
7.	The operating division of zone 1	3 people
8.	Division operation zone 2	2 people
9.	Division of engineering equipment	2 people
10.	Public relations division	3 people
11.	R & d division	2 people
12.	Internal watchdog unit	2 people
13.	Water loss mitigation division	2 people
<b>Total</b>		<b>32 people</b>

Source: Researchers, 2018

Model research indicates the influence of factors of organizational commitment as a moderating variable in conjunction with the participation of drafting managerial performance against budget. That management with high organizational commitment will affect managerial performance. Participation in the preparation of the budget is a communication mechanism and information exchange that allows management to gain a clearer understanding of their work. Participation allows them to correct the mistake that ultimately will affect managerial performance. Management with a high organizational commitment have the desire to repent and to give the best for the company to take advantage of the participation of the preparation of the budget so that the performance is expected to be achieved.

Thus the relationship variable the variables in this study are as follows:

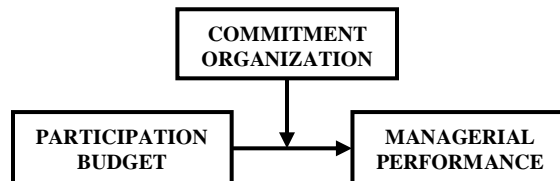


Figure 1.1: The Influence Of Organizational Commitment Against The Relationships Of Managerial Performance Budget Participation

Based on the background issues, formulation of the problem, review conceptual frameworks, theories, then the hypothesis has been said research can be as follows:

- H1: Participation budget effect on managerial performance  
 H2: Participation budget effect on managerial performance with organizational commitment as a moderating variable

## 4. THE RESULTS OF THE RESEARCH AND THE DISCUSSION

### 4.1 The Results of Hypothesis Testing 1

#### 4.1.1 A linear regression equation

Table 1.3: The Results of Statistical Tests t

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7.330	4.495		1.631	.113
Participation budget	1.250	.180	.784	6.923	.000

a. Dependent Variable: Managerial Performance

Regression test results conducted with statistical tools as seen in table 4.6 (statistical tests t), indicating that the variable has a budget of participation t calculate  $6.923 > t 2.045$  table (attached) with a value of asymp sig 0.000 0.05, which  $<$  mean regression model worthy. It deserves here means that Ha1 is accepted, then this indicates that the participation of the budget impact of the managerial performance. Thus the Ha1 stated that participation of influential managerial performance against budget on PDAM Tirtanadi of North Sumatera is acceptable. The results of this research rejects the results of research conducted by Yenti (2003) i.e. participation budget relate well to managerial performance is not acceptable, and this study supports the results of the research that has been done by Sinambela (2003), Syakhroza and Supriyono (2003), Deliana (2004), and Alfari (2006), which shows a positive relationship between participation in managerial performance against budget.

#### 4.1.2 Correlations (relationships)

Table 1.4: Test Results Correlation (Relationships)

##### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.784 <sup>a</sup>	.615	.602	3.076

- a. Predictors: (Constant), Participation Budget  
 b. Dependent Variable: Managerial Performance

The regression model can be used to predict the performance of partial participation in managerial budgets affects managerial performance, as follows:

Table 1.5: Hypothesis test results 1

Y	=	a + b <sub>1</sub> X <sub>1</sub> + e
KM	=	a + b <sub>1</sub> .PA + e
KM	=	7,330 + 1,250.PA + e
R <sup>2</sup> = 0.615		Sig = 0.000

The magnitude of the value of  $R^2 = 0.615$  or equal to 61.5%, explained that 61.5% variable is the managerial performance can be explained by variation in the independent variable participation budget. While the remaining 38.5% (100% - 61.5%) explained by causes other than the model.

The regression equation from the analysis above shows that the independent variable is partially positive effect towards managerial performance. Variable participation shows the value of the coefficient of 1.250 significance level of  $0.000 < 0.05$ . The significance here means that

Ha1 is received. Thus the Ha1 stated that participation of influential managerial performance against budget on PDAM Tirtanadi of North Sumatera, acceptable.

## 4.2 The results of hypothesis testing 2

### 4.2.1 A linear regression equation

Table 1.6: The Results Of The Test Statistic F

#### ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	478.743	3	159.581	17.270	.000 <sup>a</sup>
	Residual	258.725	28	9.240		
	Total	737.469	31			

- a. Predictors: (Constant), Participation\*Commitment, Organizational Commitment, Budget Participation  
 b. Dependent Variable: Managerial Performance

The results of the test or ANOVA F test produces F count of  $17.270 > 3.3277$  table of F (attached) to the level of probability of 0.000 (significance). Because the probability is much smaller than 0.05 ( $0.000 < 0.05$ ), meaning significant. Significant here means that the participation of the budget with organizational commitment as a moderating variable is the simultaneous effect on managerial performance. Thus the Ha2 stating that participation affects managerial performance budget with organizational commitment as a moderating variable is acceptable.

### 4.2.2 Correlations (relationships)

Table 1.7: Test Results Correlation (Relationships)

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.806 <sup>a</sup>	.649	.612	3.040

- a. Predictors: (Constant), Participation\*Commitment, Organizational Commitment, Budget Participation  
 b. Dependent Variable: Managerial Performance

The regression model can be used to predict the performance of managerial where the simultaneous participation of the budget with organizational commitment as a moderating variable affecting managerial performance, as follows:

Table 1.8: Hypothesis test results 2

Y	=	a + b <sub>1</sub> X <sub>1</sub> + b <sub>2</sub> X <sub>2</sub> + b <sub>3</sub> X <sub>3</sub> + e
KM	=	a + b <sub>1</sub> .PA + b <sub>2</sub> .KO + b <sub>3</sub> .PA*KO + e
KM	=	-2,702 + 1,024.PA + 0,642.KO - 0,009.PA*KO + e
Adjusted R <sup>2</sup> = 0,612		F = 17,270 Sig = 0,000

The results of statistical tests where the simultaneous participation of the budget together with the commitment of the Organization's

influential significantly to managerial performance. Variable participation budget shows the value of the coefficient of 1.024 with 0.05 significance level  $> 0.682$ , organizational commitment of the coefficient shows the value of 0.642 0.665  $>$  significance level of 0.05, and the interaction between participation budget with organizational commitment (PA \* KO) indicates the value of the coefficient of -0.009 with significance level  $0.05 > 0.890$ . Of the three variables that none of the variables which affect significantly. The magnitude of the value of the Adjusted R<sup>2</sup> = 0.612 or equal to 61.2%, explained that 61.2% variable is the managerial performance can be explained by variation in the independent variable participation budget, organizational commitment, and PA \* KO. While the remaining 38.8% (100% – 61.2%) explained by causes other than the model.

### 4.3 Discussion

#### 4.3.1 Effect of participation budget on managerial performance

The results of this research show that the participation budget partially affects managerial performance, or in other words that the budgetary participation has a positive influence on the performance of managerial. The results of this study support previous research, some like Sinambela (2003:46) stated that the relationship between participation in managerial performance budgets have strong relationships, according to research conducted by Supriyono and Syakhroza (2003:961) concluded that the participation of the budget had a significant and positive relationship with the managerial performance. Then another study conducted by Deliana (2004:55) discovered the same thing that participation affects managerial performance budget significantly and other studies conducted Maisyarah (2009:69) stated that the participation of budget positive effect on the performance of managerial.

The results of this research reject the results of research conducted by Yenti (2003) stated that the participation of the budget relate well to managerial performance is not acceptable.

Judging from the prevalent view that the greater the involvement or participation of the subordinates in formulating something within the company, then a very high sense of their responsibility to facilitate an agreement or decision to be completed properly. Besides the participation of the subordinates in the preparation of the budget, will push the working morale is high, where the end is very likely to increase managerial performance.

#### 4.3.2 Effect of participation budget on managerial performance and organizational commitment

The results of statistical tests where the simultaneous participation of the budget together with the commitment of the Organization's influential significantly to managerial performance. The moderate variable which is the interaction between organization commitment budget participation shows the results were not significant, so it can be concluded that organizational commitment variable is not moderating variables.

### 5. CONCLUSION

- a. The results of the first test, a test of significance partial (t-test statistics) shows that the participation of the budget has a positive influence on the performance of managerial.
- b. The second hypothesis test results, through simultaneous significance test results (test F statistics), shows that where participation budget together with the commitment of the Organization to significant effect on the managerial performance. A moderating variable is an interaction between the budgetary participation of organizational commitment with results not significant ( $0.890 > 0.05$ ) so that it can be concluded that state variable organizational commitment is not a variable moderating.

### 6. SUGGESTION

- a. The next research is still needed on the same field on the influence of participation in budgeting, so the results of the research that has been done there is still an inconsistency with the use of conditional factors or Another contextual thought to affect relations participation in managerial performance with budgeting.
- b. It is recommended to the management of PDAM Tirtanadi of North Sumatra to be more emphasis on the application of budget participation patterns in formulating something relating to corporate interests especially in the preparation of the budget the company, therefore most likely can improve managerial performance for the company's progress going forward.
- c. For subsequent researchers in order to carry out research by adding the number of objects so that the results can be generalized.

## 7. REFERENCE

- [1] Anthony, r., Vijay Govindarajan, 2005. Management Control System, Volumes I and II, translations Tjakrawala Kurniawan and Krista, Publisher of Four Salemba, Jakarta.
- [2] Argyris, 1952. Organizational Leadership and Participation Management, The Journal of Business, vol. XXVII (January): 1-7.
- [3] Brownell, p. 1982. "Participation in Budgeting Process: When it Works and When it Doesn't," Journal of Accounting Literature Review. Vol. 1, 124-153.
- [4] Chenhall. R. H, Brownell, p., 1988, "The Effect of Participative Budgeting on Job Satisfaction and Performance Role as an Intervening Variable Ambiguity", Accounting Organizations and Society, vol. 13:225-233.
- [5] Dunk, Alan S, 1993. "The Effect of Budget Emphasis and Information Asymmetry on The Relation Between Participation and Budgetary Slack". The Accounting Review. Vol. 68, no. 2, April: 400-410.
- [6] Indriantoro, Nur, 1993. "An Empirical Study of Locus of Control and Cultural Dimensions of the Moderating u.s. Variables Effect of Participative Budgeting on Job Performance and Job Satisfaction." Journal of Economics and business in Indonesia. January, 15 (1), 97-114.
- [7] Hansen, D.R., Mowen, m. 2004. Management Accounting, Translation Of The Goddess Fitriyasari, The Publisher Of Four Salemba, Jakarta.
- [8] Kennis, i. 1979. " Effects of Budgetary Goal Characteristics on production management Attitudes and Performance ". Accounting Review, October, 707-721.
- [9] Mahoney, T.A., t. h. Jerdee & S.J. Carroll (1963). Development of Electrical Performance: A Research Approach. Cincinnati: South-Western Publishing.
- [10] Milani. 1975. "The Relationship of Participation in Budget Setting to Industrial Supervisor Performance and Attitudes: A Field Study". Accounting Review, April, p. 274-284.
- [11] Nafarin, m. 2004. Budgeting Company, Revised Edition, Salemba, Jakarta.
- [12] Poerwati, Tjahjaning. 2002. "the influence of Managerial Performance on Participation: organizational culture and motivation as a Moderating Variable". National Symposium on Accountancy V, Semarang, Semarang 5-6 September 2002.
- [13] According Prasetyaningtyas, 2006. The influence of the participatory Budgeting towards Managerial Performance with organizational structure, Organizational Culture, and motivation As Moderating Variables (study on cigarette companies who are in the Unfortunate). Not published.
- [14] Sekaran, Uma. 2006. Research Methods for Business. Volumes 1 and 2, translator, Publisher, Kwan Download Yon Salemba Empat, Jakarta.
- [15] Sinambela, Elizar, 2003. The influence of Participation in the preparation of a budget on the performance of Empirical Study on Managerial (private University in the city of Medan, was not published).
- [16] Supomo, B, Nur Indriantoro. 1998. The influence of the structure and culture of the organization against the Effectiveness Participation budget in Managerial performance improvements: Empirical studies of manufacturing companies. Manage. No. 18, 61-68.