Organization Structure, Asymmetric Information, Budget Emphasis with Connection in Participation Budgeting Against Performance of Local Government Forces

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Abstract

The relationship between budget participation and managerial performance has been attracting researchers attention. However, the result of previous studies on relationship between budget participation and managerial performance has been often contradictory. One way to reconcile these conflicting result is to investigate the hypothesized relationship utilizing a contingency approach.

The purpose of this reseach is to examine the existing relationship between budget participation and managerial performance. Empirically examined whether organizational structure, asymmetric information and budget emphasis are moderating variable that influence the relationship between budget participation and managerial performance. The sample of this research are taken from hybrid public sector organization population in Depok especially inspectorate general. From 50 sent questionnaire, there are only 31 respondent than send their answer back and fulfill the requierements to be processed in final analysis.

The empirical result using simple regression show that budget participation influence the managerial performance. But empirically result using residual approach show that a fit between budget participation with contingent factor (organizational structure, asymmetric information and budget emphasis) have effect managerial performance significantly.

Key Words: Performance of Local Government Forces

INTRODUCTION

Budgets in the public sector related to the process of determining the allocation of funds for each program and activity in monetary units using funds belonging to the people. This is the difference with the private sector because the budget is not related to the allocation of funds from the public. In public sector organizations, funding comes from local taxes and charges, profit regional or state-owned enterprises, government borrowing in the form of foreign debt and government bonds, as well as other funding sources are legitimate and not contrary to the laws and regulations that have been set.

Based on the findings of an earlier study (yunika et al, 2009) with a sample of Bekasi (West Java) and Magelang (Central Java) and Labuhan Batu District (North Sumatra) and the City of Pontianak (West Kalimantan), found that:

1. Musrenbang which is the means of the community to participate in development, it turns out the majority of respondents from non-government (community leaders) is less to respond. Musrenbang itself is a form of the aspirations of the community in providing an opinion on the budget planning in their respective areas.
2. Implementation planning in local government budgets, most still are traditional budget, yet so fully adopted the budget performance. This is due to the weakness of human resources (many of the Bappeda employee has not been mastered in of budget planning correctly, only looking for "safe" based on its budget that has been running)

This finding supports many constraints on participatory budgeting process. As the research in Bambang Sardjito and Osmad Mutaher (2007) that the budget has been prepared has a role as a planning and performance criteria, the budget was used as a control system for measuring managerial performance (Schiff and Lewin, 1970 in Kirby, 1994).

In Bambang Sardjito and Osmad Mutaher research (2007) found there is a significant effect between budgetary participation on the performance of local government forces. The higher the budgetary participation will enhance the performance of local government forces. The higher level of compatibility between budgetary participation and organizational culture oriented people will be the higher performance of local government forces (Head of Department). Increasing levels of organizational commitment will lead to improved performance of local government forces to participate budgeting.

Harry Suharman (2006) describes the environmental uncertainty can cause subordinates information in the field of technical more than their superiors information. The better performance of the budget is always associated with a more accurate and realistic budget targets that has been set. So the better the performance of the budget is not a consequence of logis evaluative tool, but as a result of the budget target setting more accurate and realistic. In other words, Budget Emphasis positively related to managerial performance.

Komala Ardiyani (2007) found that information asymmetry resulting from differences in superior and subordinate information negatively affect the use of performance measurement systems profit center.

This research study took place in Depok City Government which is currently experiencing growth in many regions. With the rapid development of the aspirations and demands of an increasingly urgent that Depok Administrative City becoming municipality with a maximum service expectations. Based on the results of previous studies mentioned above, the relationship between the variables of participation with the variables of performance are used to make the results of the study proved empirically by study in Depok City. If there are inconsistencies in the results, due to the possibility of other variables that must be considered in the relationship between participation and performance. The problem under study is formulated as follows:

1. Is participation in budgeting affect the performance of local government forces?
2. Is the organizational structure influence the effectiveness of the budgetary participation in improving the performance of local government forces?
3. Is the asymmetric information has an influence on the relationship between the budgetary participation against performance of local government forces?
4. Is the budget emphasis affect the relationship between of the budgetary participation on the performance of local government forces?
5. Is Organizational Structure, Asymmetric Information and Budget Emphasis as moderating variables can strengthen the effect on performance of the budgetary participation of local government forces?

LITERATURE REVIEW

Understanding The Budget

A budget is a management tool that plays an important role in a company's management control system, especially in the planning process and controlling (Dini Anissarahma, 2008). The budget itself can be defined as a plan of all activities of the company in the short term are expressed in quantitative units.

Budget Participation

Budgetary participation (Bambang Sardjito and Osmad Muthaher, 2007: 3) as a process in organizations involving managers in determining budget goals which it is become their responsible. Participation many benefits for an organization, it is derived from the nearly participatory research. Participation has shown a positive effect on employee attitudes, increase the quantity and quality of production, and increase cooperation among managers. Participation in the public sector budget occurs when between the executive, the legislative and the public work together in making budget. The budget was made by the head of the region through the proposals of the working units are delivered to the head section and proposed to the head region, and then jointly with DPRD to set a budget that is made in accordance with applicable local regulation. The process of budgeting with performance approach in the Kepmendagri contains Draft Guideline of the budget which Mardiasmo (2001: 9) said that budget with performance approach is a budget system that promotes the achievement of performance outcomes or outputs of the cost allocation plan or a defined input and implemented by a team of executive budget together the organizational unit of the region (unit of work).

Understanding Performance

According to Eddy Soeryanto Soegoto (2007) that performance is an achievement level for the implementation of a specific job or task. Organizational performance is the accumulation performance of all organizational unit (the sum of everyone's performance).

Terms of the Good Performance Indicators:

a). Specific: It is clear that there is no possibility of misinterpretation

b). Measurable: presenting about something and obviously size

c). Attributable: set of performance indicators should be useful for decision making.

d). Relevant: Performance indicators should be within the scope of the program and can describe a causal relationship between the indicator.

e). Timely: Set of Performance indicators should be collected and reported on time as an ingredient for decision-making.

Performance Of Local Government Forces

Performance measurement in the public sector (Bambang Sardjito and Osmad Muthaher, 2007: 4) is a system that aims to help public managers in assessing the achievement of a strategy through measurement tools both financial and non financial. Performance measurement system can be used as an organizational control for enhanced performance measurement by setting the reward and punishment system.

Organizational Structure

Organizational Structure (Bambang Supomo, 1998) is an organizational management tool that shows the level of delegation of top management in decision making to senior managers and mid-level managers, which externally divided into two grouped : centralized and decentralized. Most of the decision-making authority, the centralized organizational structure, carried out centrally by the central management.

In Komala Ardiyani (2007) decentralized organizational structure generally indicated by the level of decision-making that occurs in organizations. In a centralized structure is high in part of the decision making taken at the highest level of the organizational hierarchy, and if a majority of authorization delegated to lower levels in the organization, the organization is more decentralized.

Asymmetric Information

Asymmetric Information is a situation where the information held by subordinates more than information held by his boss (Dunk, 1993) in Komala Ardiyani (2007). Within an organization, subordinates have more accurate information compared to his superiors about the factors that affect performance. Subordinates may be more aware of its performance capability and the expected results (Waller and Chow, 1995). Difference information possessed superior and subordinate is called Asymmetric Information. At some organizations, subordinates may have more accurate information than the boss. It is one of the factors affecting the performance measurement system. According Baiman, Larcher & Rajan (1995) in his study states that the allocation can be increased through the communication of information held subordinate. Baiman et al (1995) provide examples of Asymmetric Information, namely the local shape information arising when subordinates have the relevant information into the decision making process.

According Falikhatun (2007) that the participation of the budget of middle managers and lower level in the budgeting process, have beneficial effects in at least two respects. First, the process of participation in organizations reduce Asymmetric Information, there for enabling top management informed about environmental issues and technology, from the lower-level managers who have specialized knowledge. Second, the process of participation can result in a greater commitment from the lower-level management to implement budget plans and meet the budget.

Budget Emphasis

In Harry Suharman (2006) Budget emphasis was pressure from superiors to subordinates to carry out the budget that has been made well, in the form of sanctions if it is less than the budget target and get compensation if capable of exceeding budget targets. Budget Emphasis is an evaluative tool for subordinate managers that emphasizes on accounting performance measures (Ross, 1994). This measure can be said to be more objective and logical acceptance than the evaluation tool for subordinate that more emphasis on non-accounting measure. Non-accounting measure of implementation tend to have difficulty in measurement because it is too subjective and not clear.

HYPOTHESIS

H1: Participation in budgeting affect the performance of local government forces

H2: The organizational structure influence the effectiveness of the budgetary participation in improving the performance of local government forces

H3: The Asymmetric Information effect on the relationship between of the budgetary participation against performance of local government forces

H4: Budget Emphasis effect on the relationship between of the budgetary participation on the performance of local government forces

H5: The organizational structure, asymmetric information and budget emphasis jointly influence between the relationship of budgetary participation against the performance of local government forces.

RESEARCH METHODS

Research Design

This study is included in the explanatory type of research. Explanatory research is to test the hypothesized relationships among variables. According to the explanation, it is including associative research that aimed to determine the relationship between two or more variables (Sugiyono, 2002: 10). In this research, there will be built a theory that works to explain, predict and control the symptoms. Meanwhile, there is also using the term of correlational studies (Indriantoro and Supomo, 1999: 27).

Population and Sample

The data in this study were obtained from primary data through a survey method. The study population was all individuals (executives) contained in the Inspectorate General in Depok City Government and sampling conducted by purposive sampling method with the criteria is in the category midle management level and have a position period as staff at least one year (Falikhatun, 2007).

From 50 questionnaires distributed only 32 questionnaires were returned with one questioner does not fit the criteria, so that only 31 questionnaires were used to analyze the study.

Operational Definition of Variables

Budget Participation Variable using instrument contains 6 items measuring the involvement of manager and budgeting period.

Performance of Local Government Forces measured using the 9 (nine) items. Each respondent was asked to answer nine questions regarding the item level managerial performance in every field including: planning, investigation, coordination, evaluation, supervision, staffing, negotiation, representation and overall performance.

Organizational Structure Variable using instrument contains 5 grains of questions measuring the level of delegation of authority managers, five of them in the field of decision-making: the development of new services, the appointment and dismissal of employees, investment selection, budget allocation and determining the selling price.

Asymmetric Information shows the difference information held by superiors and subordinates in an organization. Information asymmetry variable using the instrument contains six items measuring the depth of understanding of the problem, a clear desk job and unity of purpose.

Budget Emphasis Variable using instrument contains 8 items measuring quality, outcomes, capability, efficiency and teamwork.

DATA ANALYSIS METHOD

Data Quality Test

The validity of the study is determined by the accurate measurement. Therefore, this test focuses on the accuracy of the data with the Pearson Product Moment formula and reliability test of the instrument is intended to analyze the consistency and stability of a grain score (scale of measurement) that exist on the instrument.

Assumptions Classic Test

Before conducting regression testing, data first tested with classical assumptions. Testing classical assumptions concerning four issues of normality, heteroskedatisitas, multicollinearity, and autocorrelation. Testing needs to be done to check the violation of the assumption. For the cross section data, according to Nachrowi and Hardius (2006) include Multicollinearity, Heteroskeditas and error term of Normality Test

The research model :

$$Y = \beta0 + \beta1\ X1 + \beta2\ X2 + \beta3\ X3 + \beta4\ X4 + \beta5\ (X1 – X2) + \beta6\ (X1 – X3) + \beta7\ (X1 – X4) + e$$

In this case :

Y	Performance
X1	Budgetary Partisipation
X2	Organization Structure
X3	Asymmetric Information
X4	Budget Emphasis
(X1 – X2)	The interaction between budgetary participation with the organizational structure as measured by the absolute value of the difference between the X1 to X2
(X1 – X3)	The interaction between budgetary participation with asymmetric information measured by the absolute value of the difference between the X1 to X3
(X1 – X4)	The interaction between budgetary participation with budget emphasis measured by the absolute value of the difference between X1 to X4

RESULTS AND DISCUSSION

This research is a quantitative study using a sample of this research is the managerial level respondents in Depok city government which is expected to give an overall picture of the performance of local government. This study used survey methods to obtain data from the respondents. Total respondents in this study were 31 respondents. From the test of validity is known, the value of **r count** for all items of questions on any variable is greater than **r table**, so all items of questions is valid and accurate as a measure in this study and have the value of Cronbach's Alpha greater than

0.60, so it can be concluded that questionnaire is reliable. Thus, the questionnaire has been said to be accurate and consistent to be used as a measuring tool in this study.

Before the multiple regression test, previously examining the classical assumption of normality test, than multicollinearity and heterocedastisity test. In this research note that the results are free from the element of normality, multicollinearity and heterocedastisity.

HYPOTHESIS TESTING RESULTS

First Hypothesis Testing

Table 1.

First Hypothesis Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	21.880	3.072		7.123	.000
	angg.part	.364	.143	.428	2.551	.016

a. Dependent Variable: kinerja.apart

Based on the table above it can be seen that in fact there is influence between budgetary participation on the performance of local government forces, as indicated by the t value for 2.551 with a significance of 0.016 is smaller than the value of significance used in this study is 0.05. The positive influence between budgetary participation against the performance of local government forces showed that the higher the budgetary participation will further improve the performance of local government forces.

Budgeting process in an agency involves all managers in it, it was all done to achieve the goals of the budget that has been set. The involvement of all managers in the preparation of the budget of an institution enabling managers should be more accountable to the budget that has been prepared and tried also more responsible for job or task entrusted, so that the managers will improve their performance in order to achieve the budget targets prepared. The results are consistent with the results of research conducted by Sardjito and Mutaher (2007), Nor (2007), and Falikhatun (2007). Thus the first hypothesis stating the influence of budgetary participation on the performance of local government forces confirmed.

Testing of Coefficient of Determination (R2)

Table 2.

Coefficient of Determination from First Hypothesis Testing

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.428[a]	.183	.155	3.841

a. Predictors: (Constant), X1

The results of the coefficient of determination (R2) was essentially measures how much the ability of the model in explaining the variation in the dependent variable statistically. Based on the results of the main regression, the value of the coefficient of determination (R2) of 0.155. This means that changes in the independent variables together are able to explain the dependent variable of 15.55 percent, while 84.45 percent is explained by other variables that are not included in this study.

Second Hypothesis Testing

Table 3.

Second Hypothesis Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	26.995	1.012		26.675	.000
	Zscore(X1)	-.263	.735	-.063	-.358	.723
	Zscore(X2)	2.458	.661	.588	3.722	.001
	moderat1	3.172	1.069	.454	2.968	.006

a. Dependent Variable: kinerja.apart

From the results of the table above shows that the value of t count for 2.986 with 0.006 significantly less than the significant value that is used in this study is 0.05. Seeing the results of the above means that the second hypothesis can be accepted. Looking at the results table above also means that organization structure is true as moderating variables between the effect of budgetary participation against performance of local government forces.

Decentralized organizational structure positive effect on the performance of local government forces. Decentralized organizational structure of the local government forces make more greater authority than the centralized structure so that the performance of local government forces will increase. It then can make a high budgetary participation effect on the performance of local government forces because decentralized organization structure.

Results from this study were consistent with the previous studies that mention the organizational structure has a positive influence on managerial performance in a decentralized structure and has a negative influence on the structure of decentralization (Bambang Supomo, 1998). Thus be concluded that the high participation in the preparation of the budget will have a positive influence on managerial performance in a decentralized structure.

Testing of Coefficient of Determination (R2)

Table 4.

Coefficient of Determination from Second Hypothesis Testing

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719[a]	.516	.463	3.063

a. Predictors: (Constant), moderat1, Zscore(X2), Zscore(X1)

The results of the coefficient of determination (R2) was essentially measures how much the ability of the model in explaining the variation in the dependent variable statistically. Based on the results of the main regression, the value of the coefficient of determination (R2) of 0.463. This means that changes in the independent variables together are able to explain the dependent variable by 46.3 percent, while 53.7 percent is explained by other variables that are not included in this study.

Third Hypothesis Testing

Based on the table 5, it can be said that the right information is a moderating variable between the influence of budgetary participation against the performance of local government forces. Visible in the above table 2 have moderating variable with t value -3.025 with a significant level of 0.005 less than 0.05. It can be said that the asymmetric information is a significant negative effect.

The high asymmetric information in an institution will degrade the performance of existing personnel in the institution, and vice versa. Participation in budget will low when asymmetric information is high. These results were corroborated by previous research which states that the interaction between participation, budget emphasis and asymmetric information has a negative relationship with the budgetary slack but has a significantly correlations. That are the result of research from Dunk (1993) in Falikhatun (2007).

Table 5.

Third Hypothesis Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.613	.879		31.410	.000
	Zscore(X1)	1.646	.801	.394	2.055	.050
	Zscore(X3)	.092	.811	.022	.113	.911
	moderat2	3.142	1.038	.460	-3.025	.005

a. Dependent Variable: Y

Testing of Coefficient of Determination (R2)

Table 6.

Coefficient of Determination from Third Hypothesis Testing

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.630[a]	.397	.330	3.419

a. Predictors: (Constant), moderat2, Zscore(X1), Zscore(X3)

The results of the coefficient of determination (R2) was essentially measures how much the ability of the model in explaining the variation in the dependent variable statistically. Based on the results of the main regression, the value of the coefficient of determination (R2) of 0.397. This means that changes in the independent variables together are able to explain the dependent variable by 39.7 percent, while 60.3 percent is explained by other variables that are not included in this study.

Fourth Hypothesis Testing

Table 7.

Fourth Hypothesis Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.135	1.240		21.890	.000
	Zscore(X1)	.970	.771	.232	1.258	.219
	Zscore(X4)	.736	.732	.176	1.006	.324
	moderat3	2.480	1.096	.406	2.262	.032

a. Dependent Variable: Y

Based on the table above it can be seen the fact there is an effect between the third moderating variable in the effect of budgetary participation against the performance of local government forces. It means that Budget Emphasis is a correct variable which it is moderating variables in testing this time with t value for 2.262 and has a value of 0.032 significantly below from the significant value 0.05.

It can be explained that the better performance of the budget is always associated with a more accurate and realistic budget targets set. So the better the performance of the budget is not from a logical consequence of an evaluative tool, but it is from the result of the budget target which is setting more accurate and realistic. The research is supported by research conducted by Harry Suharman (2006) note that in a study of the evaluative tool superior to the performance budget by Otley (1979) showed that the performance of subordinate budgets positively associated with superior evaluation tool that emphasizes the importance of realizing a budget .

Testing of Coefficient of Determination (R2)

The results of the coefficient of determination (R2) was essentially measures how much the ability of the model in explaining the variation in the dependent variable statistically. Based on the results of the main regression, the value of the coefficient of determination (R2) of 0.239. This means that changes in the independent variables together are able to explain the dependent variable by 23.9 percent, while 76.1 percent is explained by other variables that are not included in this study.

Table 8.

Coefficient of Determination from Fourth Hypothesis Testing

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.562[a]	.315	.239	3.644

a. Predictors: (Constant), moderat3, Zscore(X4), Zscore(X1)

Fifth Hypothesis Testing

Table 9.

Fifth Hypothesis Testing

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	349.769	7	49.967	6.606	.000[a]
	Residual	173.973	23	7.564		
	Total	523.742	30			

a. Predictors: (Constant), moderat3, Zscore(X2), moderat1, Zscore(X4), moderat2, Zscore(X3), Zscore(X1)

b. Dependent Variable: Y

According to the table above results it can be seen that the moderating variables jointly affect the relationship between the budgetary participation against the performance of local government forces, for the value of F is 6.606 with a significant value of 0.000.

Testing of Coefficient of Determination (R2)

Table 10.

Coefficient of Determination from Fifth Hypothesis Testing

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817[a]	.668	.567	2.750

a. Predictors: (Constant), moderat3, Zscore(X2), moderat1, Zscore(X4), moderat2, Zscore(X3), Zscore(X1)

The results of the coefficient of determination (R2) was essentially measures how much the ability of the model in explaining the variation in the dependent variable statistically. Based on the results of the main regression, the value of the coefficient of determination (R2) of 0.567. This means that changes in the independent variables together are able to explain the dependent variable by 56.7 percent, while 43.3 percent is explained by other variables that are not included in this study.

CONCLUSION

This study analyzed the effect that there is a positive relationship between budgetary participation on the performance of local government forces. The higher the budgetary participation will enhance the performance of local forces. Decentralized organizational structure have positive effect on the performance of local government forces, or other words it can make a high budgetary participation effect on the performance of local government forces because decentralized organization structure. The higher asymmetric information in an institution, it will degrade the performance of existing personnel in the institution, and vice versa. The better performance of the budget is always associated with a more accurate and realistic budget targets that has been set and has a jointly influence in organizational structure, asymmetric information, and budget emphasis as moderating variables between the influence of budgetary participation against the performance of local government forces.

SUGGESTION

For next studies should concerning to expand the area of research samples (various local governments), or can also compare the performance among the local government so that conclusions can provide a more powerful meaning (can confirm or enrich). Use other variables like an example a slack budget and locus of control.

For Depok City Performance should be more thoroughly convey information clearly and provide an opportunity for the Head to request clarification in order to avoid repeated asymmetric information or better on each end of the semester was held reconsideration so that asymmetric information can be avoided by government with facilitating the delivery of information related to the preparation of budgeting, like an example by meeting together, the evaluation meeting, and or coordination meetings. Related to the budget emphasis, The Head of Region should make a specific structure policy, even already now has a policy about preparation and implementation of the budget, in order to be reviewed in every period on every program that will be implemented and is being run in accordance with the formulation of the beginning.

Policies that have been made were not only read or created in a blueprints but there should have regular discussions about policies related to budget emphasis because it can improve the performance of local government forces concerned.

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