

SUMMARY

An Effect of Participative Budgeting toward Managerial Performance through Managerial Motivation as Intervening Variable at Manufacturing Companies in North Sulawesi

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A participative budgeting constitutes a budgeting approach which is involving each managerial level to work out a target within their scopes of jobs. The involvement of managers will be able to establish an attitude and behavior in identifying the goals, and then accepting them with a firm commitment and working hard in order to accomplish such goals and ultimately increasing the performance.

The objective of this research is to investigate direct and indirect effects of participative budgeting and managerial motivation toward the managerial performance in simultaneous way. The research represented a further advancement from a set of previous studies by Brownell (1982), Brownell and McInnes (1986), Dunk (1989), Chong and Chong (2002), Millani (1975), Chenhall (1986), Kren (1992), Mia (1988), Hopwood (1972), Otley (1978), Kenis (2004), Hotama (2003), Lako (2004), Siegel and Marconi (1989), Mahoney (1965), Brownell & Hirst (1986), Wasisto & Sholihin (2004), Kustono (2003), Murray Dennis (1990).

The research is a quantitative research. The data were collected through questionnaires. The analytical unit consisted of all functional managers at 74 companies. Of this number, 168 managers from 54 companies participated in the research. The data collected were then analyzed by using *Structural Equation Modeling* (SEM) aided by AMOS 4.0 program to test the direct and indirect effects of participative budgeting and managerial motivation on the managerial performance.

The results showed that first participative budgeting had a direct, positive and significant effects on the managerial performance. A standard estimation value of PPA on MM = 0.4309; S.E. = 0.0912; C.R. = 4.5754; and P value = 0.000. Second, participative budgeting was directly, positively and significantly correlated with the managerial performance. A standard estimation value of PPA on KM = 0.2221; S.E. = 0.0580; C.R. = 2.3158; and P value = 0.0206. Third, the managerial motivation directly, positively and

significantly influenced the managerial performance. A standard estimation value of MM on KM = 0.5659; S.E. = 0.0708; C.R. = 4.9864; and P value = 0.000. Finally, participative budgeting indirectly affected the managerial performance through the managerial motivation as an intervening variable, in positive and significant manner. A magnitude of such an indirect effect was 0.2438.

The research was not in favor of the research findings by Brownell and McInnes (1986) suggesting that participative budgeting was not associated with motivation; the motivation was positively correlated with performance; participative budgeting positively influenced performance, but such correlation did not work directly but through motivation.

Some suggestions may be made, first, the involvement of all managers budgeting should be maintained, and the budgeting process should be prepared through the *give and take* between the top management and other lower managers/supervisors. Second, proportional or equal rewards in the budgeting may reduce a strained situation, resentment and prejudice, anxiety and less self-confident among co-workers. Third, human-oriented approach by upholding the employees' self-esteem, fostering initiative behavior and providing adequate and fair opportunities to the high performance-achieving employees should be adopted in the company.

Key words: participative budgeting, managerial motivation and managerial performance

ABSTRACT

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The objective of this research is to investigate direct and indirect effects of participative budgeting and managerial motivation toward the managerial performance in simultaneous way.

The involvement of all managers in drawing up the budget or budgeting played a considerable role as this would enable other lower managers to have a sense of responsibility for such budgeting and encourage a favorable creativity among the managers. This situation, in turn, would bring about a strong motivation to enhance their performance. Participative budgeting provided a information which linked reward or punishment with the performance. Hence, the performance evaluation which highly rested on budget should be accompanied by high participation in budgeting to derive a desired effect on the performance.

The analytical unit consisted of all functional managers at 74 companies. Of this number, 168 managers from 54 companies participated in the research. The data collected were subject to an analysis by *Structural Equation Modeling* (SEM) aided by AMOS 4.0 program to examine the direct and indirect effects of the participation and managerial motivation on the managerial performance.

The results showed that: first, participative budgeting had direct, positive and significant effects on the managerial performance. Second, participative budgeting was directly, positively and significantly correlated with the managerial performance. Third, the managerial motivation directly, positively and significantly influenced the managerial performance. Finally, participative budgeting indirectly affected the managerial performance through the managerial motivation as an intervening variable.

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