IMPACT OF BUDGET PARTICIPATION ON JOB SATISFACTION AND EMPLOYEE PERFORMANCE WITH JOB RELEVANT INFORMATION (JRI) AS AN INTERVENING VARIABLE

Suryadharma Sim
Wiwik Utami

Universitas Mercu Buana

ABSTRACT

The purpose of this study was to examine the relationship between budget participation on job satisfaction and employee performance. This study also to find empirical evidence related to Job relevant information (JRI) as an intervening variable on the relationship between budget participation with job satisfaction and employee performance. The data was collected through questionnaires distributed to the superintendent and manager-level employees at PT. Jaya Readymix. The Respondents in this study are the superintendent and manager-level employees of PT. Jaya Readymix totaling 65 people. Data analysis in this study is a linear regression model. The results showed that (1) budget participation has positive significant effect on job satisfaction and employee performance, (2) job relevant information (JRI) was mediated on the relationship between budget participation and job satisfaction, but not for employee performance.

Keywords: budget participation, job satisfaction, employee performance, job relevant information

INTRODUCTION

The business world today in the era of globalization has demanded changes very fast and causes the shift of complex thought in all fields. For that the company should have a competitive advantage in order to win the competition, at least to maintain the company's operations. One of the important competitive advantages for companies is the company's employees. Employees of the company are driving the company's operations, so that if the good performance of the company's employees, the company's performance will also increase. Performance of employees will increase if they are actively involved in the budgeting process at the organizational unit where they work.

With the participation of employees in the budget process, this will increase employee awareness of duty and responsibility imposed on him. With the participation of, employees know exactly what needs to be done related to the achievement of the budget. In the budgeting process, employee participation will affect the performance of employees (Argyris, 1952 in Abriyani, 1998). With the involvement of employees in the budget process, this will lead to a commitment to employees that the budget is also a goal.

JRI research in Indonesia has also been studied by Indriani (1993) and Vebyana (2004). Indriani (1993) replicate the study of Kren (1992), with job relevant information as an intervening variable. From Indriani (1993) concluded that the job relevant information is not an intervening variable in the relationship between participation in job performance at the I-level government officials Special Province of Aceh . Vebyana (2004) replicate the study conducted by Kren (1992) on "Budget Participation and Managerial Performance: The Impact of Information and Environmental Volatility by testing in different settings and the respondents. In a study of Vebyana (2004) also examined the relationship of budget participation with JRI and its influence on job satisfaction.

From the study of Vebyana (2004) found that JRI can be considered as an intervening variable between budget participation on job satisfaction and managerial performance in Yogyakarta local environment. Abriyani (1998) concluded from her research that it is variable between role ambiguities (intervening variable) in the relationship between participation in the preparation of the budget with job satisfaction. Marsudi and Ghozali (2001) concluded that JRI was an intervening variable between budget participation and managerial performance; this indicates that managers use participation as an efficient tool for obtaining information.

This study is a replication of a study conducted by Vebyana (2004) by testing back in a different setting and respondents. This study takes the subject company, whereas in the study Vebyana (2004) studied a subject for non profit organization that is the subject of Local Government Yogyakarta, so the environment studied is a different company. Thus the authors wanted to examine the Impact of Budget Participation on Job Satisfaction and Employee Performance with Job Relevant Information (JRI) as an intervening variable (Study at PT. Jaya Readymix). The purpose of this study are (1) to test whether budget participation affects job satisfaction and employee performance, (2) to test whether the relevant job information (JRI) is an intervening variable between budget participation with job satisfaction and employee performance, (3) as a consideration in the implementation of participative budgeting at the company.

LITERATURE REVIEW AND HYPOTHESIS

Shield and Shield (1998) conducted a budget review of the research and concluded that almost the entire research budget is rooted in one of the following three framework theory.

Economic Theory, based on the assumption that the budget is used as a sound basis for selecting and sharing of information among members involved in the budgeting process. Economic theories assume that individuals involved in the budgeting process, motivated by the two stimulants, namely: (1) information sharing and (2) task coordination.

Psychological Theory, assume that the participation of the budget to provide the exchange of information between superiors and subordinates (Hopwood, 1976; Locke and Schweiger, 1979; Locke and Latham, 1990). According to psychological theory there are two main reasons why participation is required budget (Hopwood, 1976; Brownell, 1982a; Young, 1988; and Dunk, 1993b), namely: (a) the involvement of superiors and subordinates in the budget participation encourage control of asymmetric information and uncertainty tasks, (b) through the participation of individual budgets to reduce the pressure of duties and get job satisfaction, and further can reduce the budget gap. Psychological theory to introduce the three main factors in the involvement of superiors and subordinates in budget participation (Locke and Schweiger, 1979; Locke and Latham, 1990), namely: (a) Attainment value factor, (b) factors of cognition, and (c) motivation factor.

Sociological Theory, Shield and Shield (1998), states that sociological theory assumes that an organization's external environment becomes more uncertain, as indicated by the increasing differences in the number and types of units within the organization. This is a consequence the need for increased participation in the budget to coordinate the activities of the unit and brings together all the activities within the organization. Sociological theory related to organizational contexts such as environmental uncertainty, organizational structure, and functional differentiation that affect participation in the budget. Sociological theories underlying the research are the participation of the budget contingency theory of organizations (Hopwood, 1976; Brownell, 1982a; Otley and Wilkinson, 1988; and Fisher, 1995). Contingency theory predicts that an organization's external environment contains a lot of uncertainty. The principle of the contingency theory is not one type of organizational structure and management systems are more efficient and effective for all organizations. Therefore, for different ecological contexts should be considered major contextual factors such as size of organization, technology and environment (Lawrence and Lorch, 1967; Galbraith, 1973; Bruns and Waterhouse, 1975, Gordon and Miller, 1976; Hayes, 1977; Waterhouse and Tiessen, 1978; Fisher, 1995; and Bimberg, 1998).

Definition of the budget

The budget is an implementation of the plan that has been set by the company. The budget is also a management control process involving formal communication and interaction among managers and employees and the management control over company operations in the current year. Program or the strategic plan that was approved at the previous stage, is the starting point in preparing the budget. The budget shows descriptions of the program by using the most current information.

According to Robert Anthony and Vijay Govindarajan (2002), the budget is a major tool in the effective short-term planning and control in organizations. According to Garrison and Noreen (2000) budget is a detailed plan of acquisition and use of financial resources and other resources for a given period.

Participative Budget

Budgeting approach involving mid-level managers in making budget estimates called participative budget. Participative budget is a budget that is made with full cooperation and participation of managers at all levels. Numbers of advantages which are usually expressed on the participation of the budget are:

1) Any person on all levels is recognized as a member of the team that the views and assessments valued by top managers.
2) People who are directly related to an activity has a most important position in the manufacture of the budget estimate.

3) People are more likely to achieve the budget formulation involving the person.
4) A budget of participation has its own unique control system so that if they do not reach the budget, then they should blame the budget participation.

Job Satisfaction

Job satisfaction as a general attitude of an individual to work. Someone with a high level of job satisfaction showed a positive attitude towards work, a person who is dissatisfied with his/her work shows a negative attitude towards the job (Stephen P. Robbins 2001:139).

Employee Performance

In the budgeting process, employee participation will affect the performance of employees (Argyris, 1952 in Abriyani, 1998). With the involvement of employees in the budget process, this will lead to a commitment to employees that the budget is also a goal.

Performance is a factor that supports the organization's effectiveness. (Mahoney,1963 in Abriyani, 1998) view of performance based on the ability of managers to carry out managerial tasks. Performance of managers includes the ability of the manager: planning, investigation, coordination, evaluation, supervision, staff selection, negotiation, representation and overall performance.

Job Relevant Information

Robbins (1989) in Vebyana (2004) suggested that the factors that influence job satisfaction is work that is challenging, challenging the award, the award is worth, supportive work environment, and work with the individual's personal suitability. In challenging work conditions or job uncertainty and the degree of task difficulty is high, a person would need more information related to the work in order to better decision-making.

With the participation of subordinates in the budgeting process, then the subordinate may give or enter its local information. In this way subordinates to communicate or disclose some personal information that might be included in the budget as the basis for assessment. Job relevant information can provide a better knowledge of alternative decisions and actions required to achieve a goal that could ultimately increase the sense of job satisfaction for the decision-maker (Locke et.al, 1981 in Vebyana, 2004).

The relationship between Budget Participation, Job Satisfaction, Performance Manager and JRI

Abriyani (1998) prove The Effect of Participation in the Preparation of Budget to Job Satisfaction and Performance of Manager: role ambiguity as an intervening variable. Subjects' research conducted on manager's large manufacturing companies on the island of Java. In the present study found positive relationship indicates that the direction of the relationship between participation with job satisfaction, so it can be stated that the higher participation in the preparation of the budget, the higher job satisfaction, but it also found a positive relationship that indicates the direction of the relationship between participation in the performance of managers, so that it can be stated that the higher participation in the preparation of the budget, the higher performance of managers.

Based on the description above, then the hypotheses in this study are:
H1: Budget participation has a positive effect on job satisfaction.
H2: Budget participation has a positive effect on employe performance.

According to (Kren, 1992 in Vebyana, 2004) found that participation can facilitate the acquisition and use of relevant job. information Several other studies also show that subordinates (subordinate) are allowed to participate in the budgeting process will reveal private information (Merchant, 1981 in Vebyana, 2004). Information disclosed by the subordinate is very useful for planning a realistic budget and more accurate, especially information related to the job.

Based on the description above, then the hypothesis in this study is:
H3: Budget participation has a positive effect on job relevant information.

JRI relationship with Job Satisfaction and Performance of Manager

Marsudi and Ghozali (2001) examined the effect of Participation Budgeting, Job Relevant Information (JRI) and Environmental Volatility of Managerial Performance in Manufacturing in Indonesia. This study proved that the JRI is an intervening variable between budget participation and managerial performance. It is identified that managers use participation as an efficient tool to obtain information related to the task.

Vebyana (2004), studied the relationship Budget Participation by Job Relevant Information (JRI) And Its Effect on Job Satisfaction and Managerial Performance in the Environment Local Government in the City and County in the Special Region of Yogyakarta. In this study it was found that the indirect relationship between budget participation is mediated by job satisfaction information indicates there are positive and significant. Similarly, the indirect relationship between budget participation by employees of mediated performance information indicates there are positive and significant.

Based on the above, then the hypotheses in this study are:
H4: There is a positive influence on budget participation on job satisfaction, mediated by JRI.
H5: There is a positive influence on the performance of employee participation in the budget participation, which is mediated by JRI.

RESEARCH METHODOLOGY

Population and Study Sample

This research is designed to examine the association budget participation and job relevant information and its influence on job satisfaction and employee performance in an enterprise environment. Respondents in this study are employees of PT. Jaya Readymix, which are 65 employees.

The selections of the sample are by means of purposive sampling. Purposive sampling is sampling in accordance with the objectives of the study, where the population and sample of this study are the same which are 65 employees with manager level.

Hypothesis Testing

Before the data were processed and analyzed, it must first be tested against the data quality to determine the seriousness of the respondents in answering the question, test of validity and test of reliability.

Test of Data Normality

This test was conducted to examine whether in a regression model, independent variables and the dependent variable has a normal distribution or not. A good regression model has a normal distribution of data or near-normal test for normality with the Kolmogorov Smirnov Data Test, provided that when a significant count > 0.05, the normal distribution of data and vice versa when significant < 0.05 data not normally distributed.

Test of Multicollinearity

According to Suharyadi et al (2004: 528) multicollinearity is the presence of more than a perfect linear relationship (correlation coefficient = 1), the relationship is not allowed. In the regression analysis between the independent variables with each other independent variables in the regression model did not perfectly interconnected or close to perfect. To test whether the regression model contains multicollinearity symptoms determined by the calculation of Variance Inflation Factor or VIF. If the VIF is less than 10 means no multicollinearity.

Test of Heteroscedasticity

Heteroscedasticity occurs when the variance components of each confounding independent variable the greater, which means that the variance estimation is inefficient and less valid hypothesis test. In other words if there is heteroscedasticity in a model of it means there is a relationship between the independent variable confounding variables so that the model does not efficiently used as a tool in the estimation of both large and small samples. To test the presence or absence of heteroscedasticity in the regression model used scatterplot graph. If the dots randomly spread and spread both above and below the 0 on the Y axis, there is heteroscedasticity in the regression model.

Method of Analysis

Multiple Linear Regression Analysis

Analytical techniques used to test the hypothesis in this study is to use multiple linear regression analysis :

$$Y = a + b1X1 + b2X2 + \ldots + bnXn + e$$

Where:

Where:	Y	= the dependent variable
	a	= constant
	b1, b2	= regression coefficients
	X1, X2	= the independent variable
	e	= error factor

F Test

F test used to determine the significance level of influence of the independent variables together on the dependent variable. If the value F Test significantly lower than the alpha is used (5%) it can be said that together variations of independent variables can explain variation in the dependent variable in the model used, and vice versa, if the calculated F is greater than alpha is used (5%).

Ho is rejected if the calculated F Sig <a (significant level is used)

Ho accepted if the calculated F Sig> a (significant level is used)

A significant level used in the analysis is 0.05 (5%).

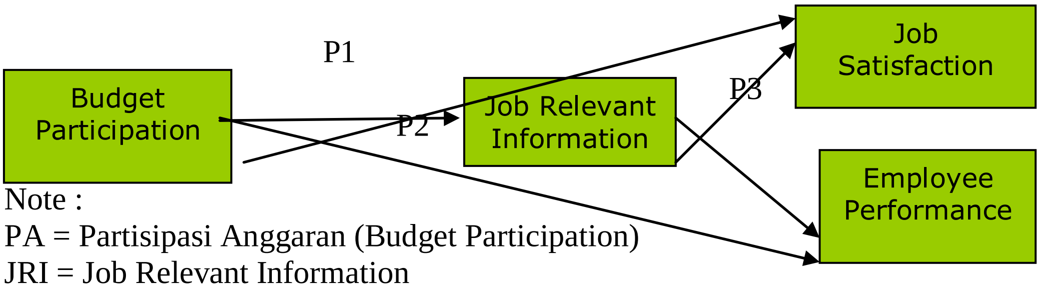
RESULTS AND DISCUSSION

Consistent with the hypotheses put forward, following the results of research presented sequentially. The results of path analysis showed that budget participation can directly affect the job satisfaction and employee performance and can also affect indirectly the participation of the budget to the relevant job information (as intervening) and to job satisfaction and employee performance.

Formula of the total effect:

Direct influence of PA to KK and KKAR = P1
Indirect influence PA to JRI to KK and KKAR = P2 x P3
Total Effect = P1 + (P2xP3)

Figure 1
Regression Models with Intervening Variable



Note :
PA = Partisipasi Anggaran (Budget Participation)
JRI = Job Relevant Information
KK = Kepuasan Kerja (Job Satisfaction)
KKAR = Kinerja Karyawan (Employee Performance)

In table 2 the value of standardized beta coefficient for PA was 0.025 and 0.346 JRI is, everything is significant. PA standardized beta coefficient 0.025 is the value of path P1 and the standardized beta coefficient of 0.346 JRI is the path P3.

Table 2
Coefficients – Regression PA (X1), JRI (X2) to KK (Y1)

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	41.908	10.160		4.125	.000
	PA	.031	.152	.025	.208	.836
	JRI	.803	.277	.346	2.895	.005

a. Dependent Variable: KK

Whereas in table 3 the value of standardized beta coefficients for the PA are 0.173 and 0.084 JRI is, everything is significant. PA standardized beta coefficient 0.173 is the value of path P1 and the standardized beta coefficient of 0.084 JRI is the path P3.

Table 3
Coefficients – Regression PA (X1), JRI (X2) to KKAR (Y2)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	25.263	7.203		3.507	.001
	PA	.149	.108	.173	1.388	.170
	JRI	.133	.197	.084	.676	.502

a. Dependent Variable: KKAR

In Table 4 the value of standardized beta coefficient of 0.068 and significant at 0.593. Standardized beta coefficient 0.068 is the value of a path or path P2.

Table 4
Coefficients – Regression PA (X1) to JRI (X2)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	35.182	1.285		27.372	.000
	PA	.037	.069	.068	.538	.593

a. Dependent Variable: JRI

The first hypothesis states that budget participation has a positive effect on job satisfaction. The test results found a positive effect of budget participation on job satisfaction of 0.025 and significant. So the first hypothesis is proven research (Ha received, Ho is rejected). Thus the results of this study confirm previous research work (Abriyani, 1998) which states that budget participation has a positive effect on job satisfaction.

The second hypothesis states that budget participation has a positive effect on employee performance. The test results found a positive effect on the performance of employee participation in the budget amounting to 0.173 and significant. So that the second hypothesis is proven research (Ha received, Ho is rejected). Thus the results of this study confirm previous research work (Argyris, 1952 in Abriyani, 1998) which states that budget participation has a positive effect on employee performance.

The third hypothesis stated that budget participation has a positive effect on job relevant information. The test results found a positive effect of budget participation on job relevant information at 0.068, but not significant. So the study does not prove the third hypothesis (Ha rejected, Ho received). Thus the results of this study was unable to confirm previous studies (Vebyana, 2004) which states that budget participation has a positive effect on job relevant information.

The fourth hypothesis states that there is positive influence budget participation on job satisfaction, mediated by the relevant job information. The test results directly to find the magnitude of the effect of job satisfaction is 0.025 (P1) and the magnitude of indirect effects should be calculated by multiplying the coefficients of the indirect X P2 P3 = (0.068 X 0.346) = 0.235. Thus the total effect of budget participation to job satisfaction = P1 + (P2 X P3) = 0.025 + 0.235 = 0.260 and significant. Based on these findings the researchers claim the fourth hypothesis is proven (accepted Ha, Ho is rejected). Thus the results of this study confirm previous research work (Vebyana, 2004) which states that the JRI is an intervening variable between budget participation on job satisfaction.

The fifth hypothesis stated that there is a positive influence on the performance of employee participation in the budget, which is mediated by the relevant job information. The magnitude of the effect directly to the employee's performance is 0.173 (P1) and the magnitude of the indirect effect is P2 X P3 = (0.068 X 0.084) = 0.005. Thus the total effect of budget participation to the performance of the employee = P1 + (P2 X P3) = 0.173 + 0.005 = 0.178, and insignificant. Based on these findings the researchers claim the fifth hypothesis is not proven (Ha rejected, Ho received). Thus the results of this study was unable to confirm previous studies (Marsudi and Ghozali, 2001) which states that the JRI is an intervening variable between budget participation on performance of employees. Based on the data above, the variable job relevant information is empirically proven that intervening variable has a positive and significant impact of budget participation on job satisfaction. It means that the participation of the budget have direct influence on job satisfaction and job performance of employees.

CONCLUSION, IMPLICATION AND SUGGESTION

Conclusion

1) There is a direct positive effect of budget participation on job satisfaction and employee performance. This shows the good participation of the budget would increase job satisfaction and employee performance.
2) Budget participation has a positive effect on job satisfaction, mediated by the job relevant information.
3) The job relevant information was not mediated the relationship between budget participation and employee performance.

Implication

This study shows that if employees know well the job relevant information, he will enhance the participation in budget preparation, and it will increase the employee's job satisfaction. This finding was expected to encourage top management to be more transparent on all information related to the job.

Suggestion

This study has several limitations, as follows:

(a) This study uses a questionnaire instrument, without performing interview and were directly involved in company activities, so the conclusion expressed based only on data collected in *PT. Jaya Readymix*.

(b) Measurement of performance variables based only on self-assessment, allowing the respondents to measure their performance higher than real performance

REFERENCES

Abriyani, Puspaningsih, Pengaruh Partisipasi dalam Penyusunan Anggaran Terhadap Kepuasan Kerja dan Kinerja Manajer : Role Ambiguity sebagai Variabel Antara, Tesis, Program Pasca Sarjana Universitas Gadjah Mada, Yogyakarta, 1998.

Garrison & Noreen, (Terjemahan), Akuntansi Manajerial, Salemba Empat, Jakarta, 2000.

Ghozali, Imam, 2005, *Aplikasi Analisis Multivariate dengan Program SPSS*, Badan Penerbit Universitas Diponegoro, Semarang.

Indriani, Mirna, Pengaruh Partisipasi Dalam Penyusunan Anggaran Terhadap Prestasi Kerja dan Kepuasan Kerja pada Aparat Pemerintah Tingkat I Propinsi Daerah Istimewa Aceh, Tesis, Program Pasca Sarjana Universitas Gadjah Mada, Yogyakarta, 1993.

Kren, Leslie, *Budget Participation and Managerial Performance : The Impact of Information and Environmental Volatility*, The Accounting Review, Vol. 67, No. 3, pp. 511 – 526, July 1992.

Marsudi dan Ghozali, Pengaruh Partisipasi Penganggaran, Job Relevant Information (JRI) dan Volatilitas Lingkungan Terhadap Kinerja Manajerial pada Perusahaan Manufaktur di Indonesia, JAAI Volume 5 No. 2 Desember 2001.

Merchant, D. (1981). The design of corporate budgeting system : influence on managerial behavior and performance. *The Accounting review*, 56, pp. 813-829.

Milani, Ken, *The Relationship of Participation in Budget-Setting to Industrial Supervisor Performance and Attitudes* : A Field Study, The Accounting Review, pp. 274 – 284, April 1975.

Robert N. Anthony & Vijay Govindarajan, (Terjemahan), Sistem Pengendalian Manajemen, Salemba Empat, 2002.

Shields, J.F and Shields, M.D, *Antecedents of Participate Budgeting*, Accounting, Organizations and Society, Vol. 23. No. 1, pp. 49 – 76, 1998.

Sugiono, Metode Penelitian Bisnis,CV Alfabeta, Bandung, 2005.

Stephen.P.Robbins, Perilaku Organisasi, Edisi 8, Jilid 1, PT. Prenhallindo, Jakarta, 2001.

Vebyana, Siegers, Hubungan Partisipasi Anggaran Dengan Informasi Job Relevan, Serta Pengaruhnya Terhadap Kepuasan Kerja Dan Kinerja Manajerial Di Lingkungan Pemerintah Daerah (PEMDA) Yogyakarta, Tesis, Program Pasca Sarjana Universitas Gadjah Mada, Yogyakarta, 2004.