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THE EFFECT OF DELEGATION OF AUTHORITY BETWEEN BUDGET PARTICIPATION AND MANAGERIAL PERFORMANCE ON PRIVATE UNIVERSITY IN INDONESIA

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Absract

Researchs concern relation between budget participation and managerial performance still indicate contradiction outcome (not be consistency inter researchers, yet), so research on this topic is an interesting topic for many researchers. For resolve these differences, Govindarajan (1986a) states that it needs contingency approach. This research was tested effect relation between budget participation and managerial performance by means one variable of contingency. This variable is the delegation of authority. This study used 89 data that being collected from 89 managers at private university in Indonesia. Questionnaire form sent by postal to each respondent and to be design in order to measure three variables of research are budget participation, delegation of authority, and managerial performance.

Research result used regression analysis indicates there are interaction between delegation of authority to relation between budget participation and managerial performance on private university. On the organization that the high delegation of authority, in this case is high decentralization, so can cause high relationship between budget participation and managerial performance, and otherwise. Lower delegation of authority (more centralization), so can cause low relationship between budget participation and managerial performance.

Key words : *budgeting participation, delegation of authority, and managerial performance*

PREFACE

In order to survive in globally competition environment that fully uncertain, so people of business have afford create business condition that more flexible and innovative with respect external factors of company that more difficult to predict. Chenhall and Morris (1986) states that in this situation that uncertain, so planning process become a complex problem for businessman, because the future is difficult to predict that affect by uncertain. Therefore, we need budgeting. University also needs application of budgeting in order to get organization's purpose that already determined. Private university is educational institution that take shelter under "kopertis", which its activities be related with budgeting, managers participation in budgeting disposition, organizational commitment, delegation of authority, and managerial working problems. The more strict competition that being faced every educational institution, so university is being striven for develop its organization efficiently and effectively, as afford compete continuously (Competitive Advantage). This compel the chief of university for attain increase managerial working in order to its existence is not loss in public. Beside that university have the own autonomy in assign budgeting system, so can control the organization better and afford as environment partner in administer educational program in Indonesia.

Budgeting participation process is an important activity and involve many side, such as top manager and lower manager who play main role in prepare and evaluate various alternative budgeting purport, which budgeting always used to the best standard managerial performance. Budgeting disposition with participation may wish can increase managerial performance, which when the purpose had been arranged, and by participation can be agreed, so the employee will internally socialization these purposes, and they have individual responsibility to get it because they involve in budgeting participation (Milani, 1975).

Research concern budget participation to managerial performance still indicates contradiction outcome. For resolve these difference, Govindrajan (1986a) states that it needs contingency approach. This approach give a notion that relation characteristic which exist in budget participation and managerial performance could be vary aerial first situation by situation that different. By another words, this approach systematically evaluated various conditions or factors that attain affect relation between budget participation and managerial performance. These factors involved: locus control, motivation, delegation of authority, organizational commitment, strategy, uncertainly environment, style of leadership, and so on.

In this research, approach contingency framework would be adopted for evaluated the effectivity of relationship between delegation of authority. We try to extend discussion about relationship between budget participation and managerial performance. This research is different from the obviously research. In this research, we combine conditional factors, such as delegation of authority as moderating variable which influences the relationship budget participation and managerial performance by means interactive approach.

According the explanation upstairs, so we formulate the research problem, i.e.: (1) Whether the participation in budgeting disposition would affect managerial performance on private university in Indonesia. (2) Whether delegation of the authority in organization that functioned as moderating variable could affect relationship between budget participation and managerial performance on private university in Indonesia.

Related with these problems that already formulated upstairs, so the purpose of this research is for testing empirically, what far delegation of authority that functioned as

moderating variable affect relationship between budget participation and managerial performance on private university in Indonesia.

If the research purposes can be achieved, so the advantage which be suggest from this research, i.e.: (1) For strengthen research's outcome which done in Indonesia and correspond to relationship between budget participation and managerial performance. (2) For clear various factors of contingency on budget participation which correspond to managerial performance. Factors of contingency that discuss on this include delegation of authority varable.

DEVELOPING HIPOTHESIS

Budget Participation and Managerial Performance

Managerial performance that got by manager is one of factors that can be used for increase the effectivity of organization. Some of researches shown the evidence that budget participation have strong positive effect to managerial performance (Argyris, 1952; Becker and Green, 1962; Bass and Leavitt, 1963). Another research also notify that these relationship is positive (Merchant, 1981; Brownell, 1982; Brwonell and McInnes, 1986; Frucot Shearon, 1991 and Indriantoro, 1993). The research which evince that budget participation affect managerial performance by insignificantly was done by Cherrington and Cherrington, 1973; Milani, 1975; Kenis, 1979; Brownell and Hirst, 1986. While Stedry (1960), Bryan and Locke (1967) notify that budget participation and managerial performance had negative relationship.

Delegation of Authority

Delegation of authority in organization corresponds with by organization structure, closely. Organization structure affords description about power sharing in an organization. Organization structure that attendant high act of spilling over authority centralization level, evince that all important decision will be determined by company chief (management) for correspond budgeting system with act of spilling authority in organization structure which assign managerial working (Riyanto, 1996.)

Lawler (1986) states that existence or inexistence of power at lower management in organization is important for assigned effective management participation program. Organization structure indicates power sharing in an organization. The characteristics of organization with degrees high decentralization evince that units which exists at lower level, more possess autonomy (as budgeting stipulation) than lower decentralization level organization (centralization). In the organization that possessed high decentralization, enlisted man being given formal accession in their daily duties. The organization which have high decentralization can be hoped more effective on budgeting disposition participation, and enlisted man/manager who on organization condition like this, the performance can increase.

Gul et al. (1995) found that participation in budgeting to managerial performance would be an positive affect in organization that act of spilling over authority on decentralization, and would be negative effect in organization that act of spilling over authority on centralization. While Riyanto (1996) found contrariwise, i.e.: decentralization didn't affect relationship between budgeting disposition participation and managerial performance. According these two inconsistent research's outcome, so we interest for retest whether act of spilling over authority will impersonate as moderating variable which affect relationship between budget participation and managerial performance. For test these topic, the hypothesis which will be proposed is

H1: the interaction between delegation of authority with budget participation will affect managerial performance. Participation effect on budget process to managerial working will be high, if delegation of authority that been given at decentralization was high. Otherwise, Participation effect on budget process to managerial working will be low, if delegation of authority that been given at decentralization was low (centralization).

Based on this hypothesis of research variables as was proposed upstairs, so research model can be shown as in figure 1.

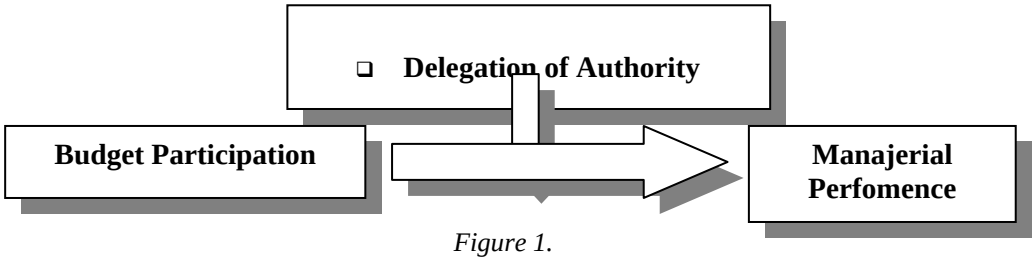

Figure 1.
Model for the effect budgeting participation to managerial working, act of spilling authority as moderating variable.

SAMPEL

The population is used in this research are private universities in Indonesia. Population criteria, i.e.: (1) private universities which it's both accreditation and unaccreditation, (2) it's had more than 100 employees, (3) in Indonesia, (4) the age of private universities minimum 10 years old. Sample criteria that been choice as sample countersign in this research is private university manager, in this term are group Rector Apprentice, Dean Apprentice, Head of Department Apprentice or program by term office minimal first year. Data obtained by mount directory enigma that given to respondent through postal. Before data processing, we do validity and reliability test on these data. Time for collecting data for seven weeks. Calculation kuesioner turn over can be saw on table 1.

Table 1
Sampel and Turn over Level

Total sent kuesioner	**1000**
Total doesn't back kuesioner	877
Total back kuesioner	123
Total uncomplete kuesioner	34
Total kuesioner that can be process	**89**
Turn over level 123/1000*100%	12,3%
Turn over level that used 89/1000*100%	8,9%

OPERATIONAL DEFINITION and VARIABLES MEASUREMENT

Budgeting Disposition Participation

Participation defined as involvement level and personal influent in budget process (Brownell, 1982b). For measure this variabel, we used the instrument that developed by Milani (1975) in (Riyadi, 1998) that consist of six Enigma and seven Likert scale.

Delegation of Authority
Degrees of act of spilling over authority correspond to authority that given by a chief to manager whether obtrusive centralistic or decentralistics. Act of spilling over authority was measured by Vancil instrument (1980) that already modified by Riyadi (1998). There are five instrument item that call manager for evince authority that their own in four important operational decision that affect their working. In analysis of this research, lowest score (point 1) evince low degrees of decentralization, and otherwise, high score (point 7) evince high degrees of decentralization.

Managerial Performance
In research context, managerial performance means managerial activities which involved: planing, investigation, coordination, evaluation, control, staff ordering (staffing,) negotiation and representation. Managerial performance was measured by means "self rating" kuesioner which developed by Mahoney dkk. (1963). Measurement involved point 1 (far away under par) until 7 (far away upstairs par). Average (par) is average working for manager that occur at the same management level that alike by respondent in one company.

VALIDITY AND RELIABILITY TEST

Instrument be said valid, if instrument already afford grate such that desirable and give data that investigated exactly. Test be done by factor analysis by varimax rotation. Data that will be factor analysis if Kaiser's MSA above 0.5 (Kaiser and Rice, 1994) and item that entered in factor analysis are items that possess factor loading above 0.40 (Chia, 1995) in Edfan (2001).

Reliability test be done by calculate alpha cronbach for test feasibility consistency all scale that be used. Instrument be said reliable if possess alpha cronbach alpha more than 0.50 (Nunnally, 1997) in Edfan (2001). Outcome validity and reliability test for all variables shown at table 2.

Table 2
Outcome Validity and Reliability Test

Variabel	*Kaiser's MSA*	*Factor Loading*	*Cronbach Alpha*
Managerial Performance	0,844	0,586 – 0,789	0,831
Budgeting participation	0,785	0,530 – 0,920	0,856
Delegation of authority	0,757	0,681 – 0,823	0,777

Based on test outcome, we can conclude that instrument proper be used for measure managerial working, budgeting participation and spilling over authority are validity and realiable.

NON-RESPONSE BIAS TEST

Non-response bias test was done by classify answer that been received into two group namely (1) Initial Group: questionnaire that been received from outset until one week after limit of turn over date, and (2) End Group : namely group that its questionnaire been received between one week after limit turn over date. From 89 questionnaires, 68 questionnaires be classified into initial group (early response) and 21 questionnaires be classified into end group (late response) and repute as group non-response. Testing to

three variables be done by means t-test. Test Outcome evince that no variance of answer that be given by both of group (table 3.)

Table 3
Non - Response Bias Test

Variables	Initial (n=68)		End (n=21)		*t-value*	*P*
	Mean	**Standar Deviasi**	**mean**	**Deviasi Standar**		
Budget participation	26,706	4,899	26,476	3,709	0,198	0,844
Delegation of authority	23,191	5,445	22,048	6,136	0,816	0,417
Managerial Performance	36,529	7,446	38,143	6,865	-0,883	0,380

TESTING HYPOTHESIS

For testing hypothesis, we used multiple regression by conformation interaction all aggregate. For testing hypothesis 1 (H1):

Y = a+ ß1X1+ ß2X2+ ß3 X1X2+ e…. (1)

Mia (1998) and Gul dkk (1995) state that regression model whither upstairs only testing interaction between independent variable and dependent variable. Nevertheless, to understand non-monotonic effect and each variable direction, we need to do mathematical calculation by means partial derivative regression equation and will be shown graphically. If partial derivative managerial performance to delegation of authority gives positive or negative value around moderating variable value, so it's evince that budgeting participation (X1) will have non-monotonic effect to managerial working. By the other word, both moderating variable affect X1 variable to managerial performance variable (Y).

STATISTICS DESCRIPTIVE

Data analysis based on respondent answering that collect around 89 respondent. From data collect, so we can see statistical descriptive, as shown in table 4.

Table 4
Statistical Descriptive of Research Variable

Variables	N	Theory prediction	Aktual prediction	Mean	Standard Deviation
Managerial Performance	89	8-56	20-56	36,910	7,308
Budget participation	89	6-42	14-36	26,652	4,627
Delegation ofauthority	89	5-35	13-33	22,921	5,601

CLASICAL ASUMSION TEST

Multicolinearity Test

In this research, from the calculation statistics collinearity coefficient for two independent variables which have VIF value below 10 and tolerance value approach 1. Abridgement the calculation statistics collinearity coefficient can be shown on table 5.

Table 5
the calculation statistics collinearity coefficient outcome

Variables	*Collinearity Statistics*		Note
	Tolerance	***VIF***	
Budget participation	0,969	1,032	No multicolinearity
Delegation of authority	0,966	1,032	No multicolinearity

Normalized Data Test

Normalized data test being done by means Kolmogorof-Smirnof test on 5% alpha value. If significance value Kolmogorof-Smirnof test more than 0.5, so means data is natural. Abridgement outcome this test can be shown on table 7.

Table7
Outcome Normalized Data Test

Variables	N	Significance	Note
Managerial Performance	89	0,884	Normal
Budget participation	89	0,301	Normal
Delegation of authority	89	0,119	Normal

TESTING HYPOTHESIS AND DISCUSSION

From table of correlation analysis (tabel 8), it's evinces existency positive relation between budget participation and delegation of authority with managerial performance. More higher budget participation and delegation of authority, so managerial performance will increase.

Table 8
Inter Correlation Among Variables

	Y	X_1	X_2	X_3
Managerial Performance (Y)	1,000			
Budget participation (X_1)	0,766**	1,000		
Delegation of authority (X_2)	0,781**	0,465**	1,000	
**Significance on ($p \leq 0,01$)				

Hypothesis I Test
Regression analysis outcome can be shown at table 9.

Table 9
Interaction between participation and delegation of Authority affect managerial Performace

Symbol	Variable	Beta coefficient	Coefficient value	*Standard Error*	*t-value*	*p*
X_1	Budget P	β_1	-1,3430	0,4750	-3,030	0,003
X_2	Delegation of A	β_2	-0,4730	0,3250	-1,450	TS
X_1X_2	Interaction	β_4	0,0461	0,0140	3,210	0,002
	Constante	A	47,300	7,7850	6,076	0,000
R^2 = 14,10% F = 4,6590 *p* = 0,005 n = 89 TS = no significance						

Regression analysis outcomes in table 9 indicate that significance interaction between budget participation and decentralization authority affect managerial performence. From these outcomes, we can say that managerial working will be increase if the managers on participate in budgeting disposition obtained the high decentralization spilling over authority. Regression equation that be obtained from testing outcome is:

$$\mathbf{Y = 47.300 - 1.343\ X_1 - 0.473\ X_2 + 0.046\ X_1X_2}$$

CONCLUSSION

From the outcome of regression test on effect interaction delegation of authority with budget participation to managerial performance at private university is significance relationship. By significance level for first hypothesis (interaction delegation of authority and budget participation) 0.002 with significance level $\rho \leq 0.5$. Managerial working as dependent variable can be explained by various budget participation and delegation of authority, and interaction delegation of authority and budget participation amount 14.10 %, while its remain be explained by other variable outside this research model. F-test value from hypothesis is p-value = 0.005 with F-test value 4.659. This means, regression equation can be used for predict dependent variable.

LIMITEDNESS

Self rating scale Application at measurement managerial performance as recognize by various researcher (Gul 1991) might be cause tendency for respondent measure their performance higher than its facts, so performance marking tend higher (leniency bias). Possibility leniency bias occurs could be cause necessary advisement objective performance standard (Vincent Chong, 1996). Like return-on-assets (ROA) and return-on-investment (ROI) standard. ROI and ROA standard might be capture actual performance from managers and reduce tendency leniency bias that be at performance measure by means self rating scale approach. Choice sample in this research only at university and not related with another institute, college, polytechnic, and academy. For

generalization, it should being done for state university. This research didn't respect all contingency variables which can effect budget participation to organizational managerial working. There only one assumption of variable contingency is delegation of authority which could be potential for influence managerial performance. It's important to respect possibility the effect of task uncertainty, organization strategy, carriage decision making manager, and competitive environment that could be affect relationship budgeting disposition participation and managerial performance.

IMPLICATION

We wish, this research outcome can give input for private university management. In order to increase managerial performance, we need involved enlist man in budgeting disposition (participation on budgeting disposition). Delegation of authority that given to enlist man have relation to budget participation, closely. Higher delegation of authority levels which is given to subordinate management, so means more decentralization. Participation in budget have positive relationship to managerial performance, only on decentralization spilling over authority. We wish outcome of this research could give an input and development for literatures or another research which related with management accounting, especially behavior accounting in Indonesia. We also wish this research could extend obviously research outcome, especially which related with contingency factors that effect relationship budget participation and managerial performance.

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