THE ROLE OF ASPECTS WHICH INFLUENCE MANAGER'S BEHAVIOR ON THE ATTAINMENT OF BUDGET IN THE LARGE SCALE MANUFACTURING COMPANIES IN BANDUNG

Debbie Christine
Widyatama University

ABSTRACT

The purpose of this study is to reveal the role aspects which influence manager's behavior in budgetary system, such as participative budgeting, the degree of budget target difficulty, controllability of cost, frequent of performance reports, the measure of performance, and incentive on the attainment of budget, and partially simultaneously.

The object of this study is the large scale manufacturing companies in Bandung. Data were collected by distributing questionnaire to financial managers, production managers, and marketing managers as respondents. The research method used survey and simple random sampling technique was employed. The model of data analysis is multiple regression model. The role of aspects which influence manager's behavior in budgeting system on the attainment of budget is positive.

KEYWORDS

budgeting, manager's behavior

INTRODUCTION

There are various interpretations about the meaning of budget depending on the context and scope of its use. Budgeting system can be performed using several approaches. In this study, the objective is to reveal the aspects which influence manager's behavior in budgetary system. The role of aspects which influence manager’s behavior in budgeting system in the attainment of budget is positive.

BACKGROUND

Budgeting system can be performed using several approaches, namely, the top down approach, bottom-up approach, and participative approaches. Budgeting by using top-down approach is composed by top-level managers and implementers manager or lower level managers execute the budget has been prepared. Budget preparation using a bottom-up approach that is the budget
prepared by the executive manager or lower level managers to obtain information from staff regarding the management of the company's overall situation and the manager will assess the level above as well as validating what has been made by lower level managers. Budget preparation by using a participatory approach that is the budget prepared by the manager down to the next level is proposed to the manager for corrections and additions when needed. Furthermore, the proposed budget is evaluated by supervisors and top management, to ascertain whether the proposed budget has been in accordance with other parts of the budget and overall corporate objectives.

Management considerations in incorporating aspects that can affect the behavior of managers into the budget system is highly dependent on the style of management or leadership style adopted by the top management of a company. Horngren, Foster and Datar, 2000: 196, argued that the management style of top management plays an important role in determining how the budget is received in the organization. Under the authoritarian leadership style that the budget prepared by top management (controller or director of planning) and is charged to the lower levels of management. The budget is intended as a management control tool designed to ensure employees act as expected by top management. In a democratic leadership style, flexibility in the budget process, is practiced to provide the opportunity for employees to plan the course of the organization, to express their ideas about how the company should operate, and to use their talent effectively (Siegal and Marconi, 1989: 133). Thus it is understandable that both styles of management or leadership style will have different considerations in implementing those aspects that can affect the behavior of top managers in the budget system.

The world's businesses engaged in the manufacturing industry should be able to anticipate the condition. Manufacturing enterprises in the municipality of Bandung large scale are expected to create industry conditions that are dynamic, efficient, highly competitive, and internationally oriented, so that foreign exchange can contribute actively.

This expectation can be realized by one of them improve human resources. The executive managers as human resources are expected to have superior qualities and behaviors that are responsive to the needs of companies. Thus, are considered the elements that can improve the quality of the manager's behavior.

**THEORY AND HYPOTHESES**

**Definition of Budget**

Currently, there are various interpretations about the meaning of budget depending on the context and scope of its use. Horngren, Foster and Datar (2000: 178) gives the sense budget as follows:

"A budget is the quantitative expression of a proposed plan of actions by management for a future time period and is an aid to the coordination and implementation of the plan. A budget can cover both financial and nonfinancial aspects of these plans and acts as a blueprint for the
organization to follow in the upcoming period. Budget covering financial aspects quantify management's expectations regarding future income, cash flow, and financial position. "Understanding the budget put forward by Horngren, Foster and Datar above states that a budget is a quantitative expression of a proposed plan of action by management for a period of time will come and is an invaluable tool for coordinating and implementing the plan. A budget can cover aspects of financial and non financial plan and used as a guide for organizations in the coming period. Financial aspects of the budget quantify management expectations regarding future earnings, cash flow and financial position.

Another notion put forward by Heitger, Ogan and Matulich (1991: 289) as follows:

"A budget is a comprehensive, formal plan, expressed in quantitative terms, describing the expected operations of a business over some future period. A budget, therefore (1) deals with a specific entity, (2) covers a future time period, and (3) quantitative."

According to Anthony, Hawkins and Merchant (1999: 716), a budget is a plan expressed in quantitative, usually in units of money that covers a period of time, usually one year.

PURPOSE AND FUNCTION OF BUDGET

Budget prepared by a variety of purposes. Of the various destination is Anthony, Welsch and Reece (1985: 629) formulate some goals of the drafting of the budget are:

"1) As an aid making and coordinating short-range plans, 2) As devices for communicating these plans to the Various Responsibility center managers, 3) As a way of Motivating managers to Achieve Their responsibility center's goals, 4) As a benchmark for controlling on going activities, 5) As a basis for Evaluating the performance of responsibility centers and Their managers, 6) As a means of Educating managers."

Anthony, Welsch and Reece emphasizes the purpose of the budget to be used as a tool-making and coordinating short-term plans, communicating plans, motivating managers, control activities, and assessment of educational performance and accountability of central managers. So in this case the objective function of the budget with more emphasis on its relationship with the roles and responsibilities given to the manager of the centers of accountability.

Another formulation of the purpose of budgeting is as put forward by Heitger, Ogan and Matulich (1991: 290) is as follows:

"Organizations use budgeting to: 1) Accomplish periodic planning requirements, 2) Foster coordination, cooperation, and communication, 3) Force managers to quantify their plans, 4) Establish a framework for evaluating and controlling performance, 5) Create and awareness of the cost of operating a business, 6) Satisfy legal and contractual requirements, 7) Motivate employees by orienting activities toward organizational goals."
Budgeting purposes put forward by Heitger, Ogan and Matulich are basically not much different from the previously proposed budget goals. But here the purpose of budgeting is formulated with a broader and more general nature.

The various objectives of the budget can describe some of the functions held by the budget. First, the budget is the end result of the corporate planning process. As a result of negotiations between members of the dominant organization, the budget reflects the consensus of the organization about the goals of the operation for the foreseeable future. Second, the budget is the main guideline for action, reflecting management priorities in allocating resources of the organization. The budget indicates how the various parts of the organization are expected to work to achieve corporate objectives. Third, the budget acts as a communication tool that connects the various departments or divisions within the organization between each other and with top management. Messages from top management to lower management levels contain the expected performance and the messages from lower management to top management on the achievement of the operating budget contain an explanation or deviation. Fourth, setting goals in measurable performance criteria, the budget provides a standard for comparison the results of actual operations. This is the basis for performance assessment of the cost center managers and profit centers. Fifth, the budget provides management control tool that provides precise instructions fields strengths, and weaknesses of the company and enables management to determine appropriate corrective actions. And sixth, the budget tries to influence and motivate managers and workers to continue the action in ways that are consistent with the effective and efficient operations and in line with corporate objectives (Siegel and Marconi, 1989: 126).

BUDGET AS A TOOL FOR PLANNING AND CONTROL

As a means of planning and control according to Anthony and Govindarajan (2000:373), the budget has the following characteristics:

1. It estimates the profit potentials of the business unit.
2. It is Stated in monetary terms, although the monetary amounts maybe backed up by non-monetary amounts (eg, units sold or produced).
3. It covers a period of one year.
4. It is a management commitment: managers agree to accept responsibility for attaining the budgeted objectives.
5. The budget proposal is reviewed and approved by an authority higher than the budgetee.
6. Once approved, the budget can be changed only under specified conditions.
7. Periodically, actual financial performance is compared to the budget, and variances are analyzed and explained.

Characteristics of this budget describe the contents of the budget, the process of drafting and revision, and implementation of the budget in its function as a means of planning and control. Based on the characteristics of the budget is to be understood that the budget is used as a tool of planning and control is operating budget (operating budget).
RESEARCH METHOD

Object of Research

The objects of this research are the aspects that influence the behavior of managers in the budget system consisting of: 1) participative budgeting, 2) degree of budget target difficulty, 3) controllability of cost, 4) frequency of performance report, 5) performance measure, and 6) incentive that will be studied its contribution to the achievement of budgets at companies large-scale manufacturing in Bandung, West Java Province.

Research Method

This research on the field of management accounting, particularly on the budget as a tool of planning and control. The research conducted was to study the role of the aspects that influence the behavior of managers in the budget system to the achievement of the budget. To achieve the objective methods used in this research, is survey method was used. The population in this study was the 34 large scale manufacturing categorized by the Ministry Ministry of Industry and Trade in Bandung, West Java Province. The population sample was drawn using simple random sampling technique.

This study tested the hypothesis of causality between the independent variables: are those aspects that affect the behavior of managers in the budget system with the dependent variable is the achievement of the budget.

Model data analysis and hypothesis testing are used in this study to model multiple regression analysis and for testing hypotheses which used statistical tests F and t statistical tests to accept or reject the null hypothesis (H0) prior to discussion and generalization of research findings.

ANALYSIS

To see the influence of the aspects that influence the behavior of managers in the budget system consisting of participative budgeting, degree of budget target difficulty, controllability of cost, frequency of performance report, performance measure, and incentive to the achievement of the budget used by the method of regression analysis verification. Calculation of regression coefficients is done using SPSS software. The results of calculation of the regression coefficient values were as follows:

<table>
<thead>
<tr>
<th>Variable-Free</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constants</td>
<td>46.663</td>
<td>3654</td>
<td>12.770</td>
<td>0.000</td>
</tr>
<tr>
<td>X_1, Participative Budgeting</td>
<td>2461</td>
<td>1118</td>
<td>2201</td>
<td>0.004</td>
</tr>
<tr>
<td>X_2, Degree of Budget Target Difficulty</td>
<td>2136</td>
<td>0999</td>
<td>2137</td>
<td>0.0046</td>
</tr>
<tr>
<td>X_3, Controllability Cost</td>
<td>2285</td>
<td>0951</td>
<td>2403</td>
<td>0.0027</td>
</tr>
<tr>
<td>X_4, Frequency Performance Report</td>
<td>2087</td>
<td>0965</td>
<td>2162</td>
<td>0.0044</td>
</tr>
<tr>
<td>X_5, Size Performance</td>
<td>3010</td>
<td>0908</td>
<td>3315</td>
<td>0.0004</td>
</tr>
<tr>
<td>X_6, Incentive</td>
<td>3068</td>
<td>1005</td>
<td>3052</td>
<td>0.0007</td>
</tr>
</tbody>
</table>

Based on the output of SPSS software estimated regression equation is obtained as follows:

\[ 46.663 + 2.461 X_1 + 2.136 X_2 + 2.285 X_3 + 2.087 X_4 + 3.010 X_5 + 3.068 X_6 \]
Before using the regression equation to draw conclusions, the assumptions of classical were tested to determine whether there is violation of the assumption of normality, multicollinearity, and heteroskedasticity in the regression model obtained.

NORMALITY TEST

In linear regression models have assumptions that must be satisfied that the residues should be normally distributed. Testing this assumption is done using the Kolmogorov Smirnov test (Daniel, 1990: 320). The hypotheses tested were:

H₀: Error follow a normal distribution
H₁: Error does not follow a normal distribution

Calculation results obtained are as follows:

<table>
<thead>
<tr>
<th>Tests of Normality</th>
<th>Kolmogorov-Smirnov(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
</tr>
<tr>
<td>Unstandardized Residual</td>
<td>.116</td>
</tr>
</tbody>
</table>

\(^a\): This is a lower bound of the true significance.

From Table 2 above it can be seen that the calculated value of \(D = 0.116\), while the \(D\) values of Kolmogorov table with Lilliefors correction for \(\alpha = 0.05\) and \(n = 26\) is 0.170. Since the calculated value of \(D < D\) table then the hypothesis that the data comes from a normally distributed population received, so that parametric statistical tests in this study using regression analysis can be used.

DETECTION OF MULTICOLLINEARITY

Multicollinearity occurs whether or not there can be seen from the VIF. Thresholds for the two variables are said to have high correlation through the VIF (Variance Inflation Factors). If the value of VIF for the independent variable is greater than 10, then one of the high correlations between these variables must be reduced from the regression model (Myers: 369).

<table>
<thead>
<tr>
<th>Variable-Free</th>
<th>Tolerance</th>
<th>Vif</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁: Participative Budgeting</td>
<td>0.812</td>
<td>1232</td>
</tr>
<tr>
<td>X₂: Degree of Budget Target Difficulty</td>
<td>0.775</td>
<td>1290</td>
</tr>
<tr>
<td>X₃: Controllability Cost</td>
<td>0.610</td>
<td>1639</td>
</tr>
<tr>
<td>X₄: Frequency Performance Report</td>
<td>0.799</td>
<td>1252</td>
</tr>
<tr>
<td>X₅: Size Performance</td>
<td>0.623</td>
<td>1604</td>
</tr>
<tr>
<td>X₆: Incentive</td>
<td>0.804</td>
<td>1244</td>
</tr>
</tbody>
</table>
Table 3 above shows that the VIF values are smaller than 10 so it can be concluded that high kolinearitas do not occur between independent variables in the regression equation obtained.

**ASSUMPTIONS HETEROGENEOUS**

Heterogeneous an indication that the variance between the resulting residuals are not homogeneous assessed value obtained is no longer efficient. To test whether the variance of the residual homogeneous Gletjser test used, namely by regressioned each independent variable to the absolute value of the residual (error). If there is the regression coefficient of each significant independent variables showed heterogeneous (Gujarati, 2003: 405).

<table>
<thead>
<tr>
<th>Variable-Free</th>
<th>t_count</th>
<th>Sig.</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁: Participative Budgeting</td>
<td>0.904</td>
<td>0.375</td>
<td>Not significant</td>
</tr>
<tr>
<td>X₂: Degree of Budget Target Difficulty</td>
<td>1.137</td>
<td>0.267</td>
<td>Not significant</td>
</tr>
<tr>
<td>X₃: Controllability Cost</td>
<td>1.955</td>
<td>0.062</td>
<td>Not significant</td>
</tr>
<tr>
<td>X₄: Frequency Performance Report</td>
<td>1.779</td>
<td>0.088</td>
<td>Not significant</td>
</tr>
<tr>
<td>X₅: Size Performance</td>
<td>0.723</td>
<td>0.477</td>
<td>Not significant</td>
</tr>
<tr>
<td>X₆: Incentive</td>
<td>0.537</td>
<td>0.596</td>
<td>Not significant</td>
</tr>
</tbody>
</table>

Table 4, shows the test results of the regression coefficients of each independent variable to the absolute value of the residual (error) was not significant at value greater than $a = 0.05$. It can be concluded that the residual (error) that appears in the regression equation has the same variance (homogeneous).

**CONCLUSION**

Based on the discussion of the results of this research on the company's large-scale manufacturing enterprises in Bandung the following can be deduced:

Simultaneous aspects that influence the behavior of managers in the budget system consisting of: 1) participative budgeting, 2) degree of budget target difficulty, 3) controllability cost, 4) frequency of performance report, 5) performance measure, and 6) incentive play a significant role in the achievement of the budget. Variations that occur in the achievement of the budget can be explained by the role of the aspects that influence the behavior of managers in the budget system.

Partially, the aspects that influence the behavior of managers in the budget system play a positive role towards the achievement of the budget. But the influence of those aspects that affect the behavior of managers towards the achievement of a very small budget is caused by a homogeneous sample.

**LIMITATION**
Outcome of this study shows that there is the role of other aspects that are not included in this study to the achievement of the budget. Thus further research on the other aspects that contribute to the achievement of the budget can be carried out. In addition, because this study is limited to large-scale manufacturing firms in the municipality of Bandung is advisable to conduct similar research on the companies with other business areas or other areas.

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