ABSTRACT

The purpose of this study was to determine the effect of budgetary participation, leadership style and organizational commitment on managerial performance at Muhammadiyah University of Aceh.

This research is conducted at Muhammadiyah University in Aceh. Its population is all head/chairman and staff of the existing work units within the University of Muhammadiyah Aceh who are involved in budgeting at the University of Muhammadiyah Aceh totaling 62 respondents.

The outcome of research indicated that either tested simutaneously or partially, budgetary participation, leadership style and organizational commitment have a significant effect on managerial performance at Muhammadiyah University of Aceh. Another finding is that it has a very strong correlation among research variables.

Keywords: Budgetary Participation, Leadership Style, Organizational Commitment and Managerial Performance

I. INTRODUCTION

As one of ten private universities in Aceh Province, Muhammadiyah University of Aceh (UNMUHA) is also making some planning and efforts to improve employees’ and institutional performance in enhancing the effectiveness of high quality education services in Indonesia,
especially for Acehnese people. UNMUHA continues to make improvements in organizational management, enhance organizational performance in order to achieve its vision and mission.

The commonly seen phenomenon seen in regards to managerial performance at Muhammadiyah University of Aceh include: first, managers have not yet to perform to the best of their ability at work. It is evidenced by the lack of prioritizing for the principle of openness to budget management. Second, the provision of quantitative information concerning the development of university assets, which is the responsibility of every manager, also lacks of transparency. Third, managers in each division also have not tried their best in improving the effectiveness of the implementation of the work assigned to them. There are some instances of such unsatisfying results. Many of the university's assets have not been properly recorded, some of which have not been well targeted in their use, to name a few. Then in terms of leadership, there is lack of good cooperation between leaders and subordinates. Therefore, the improvement of organizational performance always depends on the various factors that influence it (University of Muhammadiyah Profile, 2016).

There are many factors that measure the success of an organization in improving performance, both empirically proven by previous researchers, and factors that have not been included in the study (Mardiasmo 2009, cited in Akyar, 2009) stated that the budget variable as a measurement of performance. Performance is assessed based on the achievement of budget targets and the efficiency of budget execution. In general, employees will obtain rewards upon the success of meeting budget goals or exceeding budget targets. Otherwise, they will face penalties in the case of not being able to meet the target budget.

II. LITERATURE REVIEW

Budgetary Participation

The subject of the budget is always related to several theories developed by Hopwood, 1976; Locke and Schweiger, 1979; Locke and Latham, 1990; Shield and Shield, 1998, cited in Sumarno, 2005). The theory developed by the experts above constitute; (A) Economic theory, this theory assumes that the individuals involved in the process of budgeting are driven by two motivations namely; 1) information sharing, and 2) task coordination. (B) Psychological theory, this theory assumes that budgetary participation allows an exchange of information between superiors / holders of budget and subordinates / budget executives.

Budgetary participation is a process that describes the individuals involved in budgeting and has an impact on the budget targets (Brownell, cited in Falikhatun, 2007). Kennis, cited in Djalil, 2006) defines such a participation as the large number of managers involved in budget planning
and the magnitude of managers' influence over the budget goals of the organizational unit for which they are responsible. Based on such a definition, budgetary participation can be interpreted as the participation of managers in the budgeting.

Budgeting is an element of management control system that serves as a means of planning and control so that managers can carry out organizational activities more effectively and efficiently (Schief and Lewin, 1970; Welsch, et.al, 1996 cited in Sumarno (2005). As a planning tool, it serves as a work plan consisting of a number of targets to be achieved by department managers of a company in carrying out a series of activities in the future. Budget is used by top managers as a means to carry out organizational goals into the quantitative and time dimensions, as well as to communicate to lower-level managers as long-term and short-term work plans. The budgetary objectives can be achieved through the implementation of a set of pre-defined activities in the form of budgets.

**Leadership Style**

Leadership is an activity of influencing and encouraging others to work together to achieve certain goals. Leadership is a crucial management aspect of an organization. Effective leadership heavily determines the success of achieving organizational goals. To that end, a leader must have a certain influence over his subordinates. Kreitner and Kinicki (2005), provided a definition of leadership namely:

1. Leadership is "an attempt to use non-coercive types of influence to motivate people to achieve certain goals".
2. Leadership is "a process of influencing the activities of a individual or group in order to achieve goals in a particular situation".
3. Leadership is an the influence of art or process, which persuade people so that they will strive to achieve group goals with a determination and enthusiasm ".

One of the most favored approaches to leadership is the path-goal theory developed by Halim (2004). In the path-goal theory it is explained that the impact of leaders' behavior on subordinate motivation, satisfaction and performance (Luthans, 2006) and leaders are expected to change their behavior to fit the situation, in which leaders not only use different styles but use different styles for the same subordinate at different situations (Daft, 2001).

**Organizational Commitment**

Organization is as a form of cooperation between two or more people, who joined in a structured, well-planned and job-based way. They are required to be able to allocate the necessary resources
in order to achieve the objectives as expected. Organizational commitment can also be interpreted as individual dedication to the goals and values adopted by a particular organization (Saal and Knight cited in Sunjoyo, 2008). In another sense, organizational commitment means a state in which members of the organization have high loyalty to the organization.

Meyer and Allen in Karina (2008) formulated a definition of commitment in organizing a psychological contract which is characteristic of the relationship of members of the organization to its organization and has implications for individual decisions to continue membership in the organization.

**Managerial Performance**

It is very difficult to make a standard definition of performance due to the fact that performance cannot be precisely measured. Performance can only be limited in abstract and the translation requires high precision and accuracy. The difficulty in judging a person's performance lies in a different point of view between individuals.

Widodo (2006: 78) defines the performance as undertaking an activity and completing it based on responsibilities with the expected results. Therefore, a sense of responsibility must exist in undertaking and completing an activity so as to obtain the desired outcome.

There are several essential aspects used to measure governmental organization’s performance including efficiency, effectiveness, and economy. According to Mardiasmo (2009), efficiency is the relationship between output and input. Effectiveness is the relationship between the output generated with the set goals. If the contribution of the output generated by the sub unit to the unit object is greater, then the sub unit is considered effective. Economy is the relationship between input and input value which is expressed in monetary unit.

**Hypothsis**

The theories and framework proposed above show that each variable has the direction of deterministic-relationship in improving performance, therefore the hypothesis of this research are:

a) There is effect of budgetary participation, leadership style, and organizational commitment simultaneously on managerial performance at Muhammadiyah University of Aceh.

b) There is a partial effect of budgetary participation on managerial performance at Muhammadiyah University of Aceh.
c) There is a partial effect of leadership style on managerial performance at Muhammadiyah University of Aceh.
d) There is partial effect of organizational commitment on managerial performance at Muhammadiyah University of Aceh.

III. RESEARCH METHODS

Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics set by the researcher to be studied and subsequently upon which, conclusion is drawn (Sugiyono, 2006). This research will be conducted at Muhammadiyah University of Aceh. The population of the research is all heads and staff of the existing work unit within Muhammadiyah University of Aceh who are involved in budgeting at the university, making up of 62 people in total (Personnel Division Unmuha, 2013). Given the small population, the research is undertaken by census method.

The data was analyzed by using multiple regression analysis with a SPSS Software version 19.0. Based on the data processing output of SPPS Software, it can be formulated the Multiple linear regression equation as follows:

\[ Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon \]

Remark:

\( Y \) = Managerial Performance
\( \alpha \) = Constants
\( x_1 \) = Budgetary Participation
\( x_2 \) = Leadership Style
\( x_3 \) = Organizational Commitment
\( \beta_1, \beta_2, \beta_3 \) = Regression coefficients
\( \varepsilon \) = Error

IV. RESULTS AND DISCUSSIONS

- The research results revealed the following equation namely \( Y = 0.651 + 0.239 \times x_1 + 0.200 \times x_2 + 0.468 \times x_3 \).
- The constant was 0.651 which means that if budgetary participation, leadership style and organizational commitment are considered constant then the level of managerial performance at Muhammadiyah University of Aceh reaches 0.651 percent.

- The regression coefficient for budgetary participation was 0.239 which means that every change of 1 percent that happened to organizational commitment of budgetary participation variable will impact on the increase of managerial performance at Muhammadiyah University of Aceh by 0.239 percent, assuming that organizational commitment and leadership style variables are fixed.

- The regression coefficient for leadership style was 0.200 which means that every change of 1 percent that occurs in leadership style variable will affect the increase of managerial performance at Muhammadiyah University of Aceh by 0.200 percent, assuming organizational commitment variable and budgetary participation are considered fixed.

- The regression coefficient for organizational commitment was 0.468 which means that every change of 1 percent that happened to organizational commitment variable will impact on the increase of managerial performance at Muhammadiyah University of Aceh by 0.468 percent, assuming budgetary participation and leadership style variables are considered fixed.

It also revealed that that organizational commitment is the greatest influence on managerial performance at Muhammadiyah University of Aceh. Managerial performance at Muhammadiyah University of Aceh is strongly affected by budgetary participation, leadership style and organizational commitment which is demonstrated by the value of determinant coefficient (R2) of 0.854 which means budget participation, leadership style and organizational commitment can affect the managerial performance at the University of Muhammadiyah Aceh by 85.4 percent and the rest of 14.6 percent was affected by other variables outside this type of research.

Other results were that the regression coefficient for all independent variables in this study is not equal to zero (β1 = 0.239, β2 = 0.200, β3 = 0.468) meaning that budgetary participation, leadership style and organizational commitment have significant effect on managerial performance at Muhammadiyah University of Aceh.

The determinant coefficient (R2) of 0.984 indicates that budgetary participation, leadership style and organizational commitment affect the managerial performance at the University of Muhammadiyah Aceh by 98.4 percent and the rest of 1.6 percent was influenced by other variables outside this type of research.
- In terms of budgetary participation variable, the regression coefficient obtained was 0.239 (β1 ≠ 0) meaning that budgetary participation variable has partial effect on managerial performance at Muhammadiyah University of Aceh.

- In regards to leadership style variable, the regression coefficient was 0.200 (β1 ≠ 0) which means that leadership style variable has partial effect on managerial performance at Muhammadiyah University of Aceh.

- As for organizational commitment variable, the regression coefficient was 0.468 (β1 ≠ 0) meaning that budgetary participation variable have partial effect on managerial performance at Muhammadiyah University of Aceh.

V. CONCLUSION

1. Budgetary participation, leadership style and organizational commitment have a partially significant effect on managerial performance at Muhammadiyah University of Aceh.

2. Budgetary participation, leadership style and organizational commitment also have a simultaneously significant effect on managerial performance at Muhammadiyah University of Aceh.

3. It has a very strong correlation among research variables.

VI. RECOMMENDATIONS

1. To improve managerial performance, the leadership of Muhammadiyah University of Aceh is expected to continue to increase organizational commitment, budgetary participation and promote exemplary and better leadership.

2. Future research on this topic is suggested to add other variables outside of this type of research in order to re-test the managerial performance at Muhammadiyah University of Aceh.

3. Since the smallest variable of influence on the managerial performance is budgetary participation, therefore it is expected that the leaders of Muhammadiyah University of Aceh can encourage all elements of the university to participate in budgeting so that it is allocated properly and will ultimately improve managerial performance.

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