

# The Influence of Budget Participation as Clarity of Budget Targets on Managerial Performance

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## Abstract

This study aims to determine and examine the partial and simultaneous effects on the managerial performance of participation in budgeting and clear budget targets. In this examination, the instrument utilized was a questionnaire. This study employed a Likert-shaped ordinal scale as the variable measurement scale. The research was conducted in PT Semen Baturaja (Persero) Tbk. There were 40 respondents, with 20 managers and 20 supervisors. SPSS 26 was used as the assistant for the test. It revealed that managerial performance at PT Semen Baturaja (Persero) Tbk was influenced by partially budgeting participation, with a significant value of  $0,000 < 0,05$ , while managerial performance unaffected clear budget targets with a significant value of  $0,620 > 0,05$ . Additionally, the results of the research hypothesis test demonstrated that managerial performance was influenced simultaneously by budgeting participation and the clarity of budget targets at PT Semen Baturaja (Persero) Tbk with a value of  $0,000 < 0,05$  and  $F\text{-value} > F_{\text{table}}$ , which was  $29,545 > 3,25$ .

*Keywords:* budgetary, clarity of targets, managerial, participation, performance.

## 1. Introduction

In 30 years globalization in the business world has experienced rapid expansion over the past few years (Jeshika, 2019). Indonesia's cement industry is currently facing competition from local and international business players in an increasingly complex business environment. In dealing with this competition, companies must be able to operate long-term and manage the business to gain future profits. Performance describes how well an organization achieves its goals, objectives, vision, and mission as determined in strategic planning through implementing a policy or an activity. In addition, planning, implementation, management, accountability reporting, coaching, and supervision are the first steps in an effective management process that leads to managerial performance (Octarinie, 2022). The way that can be used for management control and planning is the budgeting system. A professional organization can implement effective performance management if the company strongly supports this system management (Candra *et al.*, 2021; Wahyudi, 2020).

Instead of requiring lower-level managers to create budgets, participatory budgeting allows them to participate in the process (Afrisal Karaeng *et al.*, 2020; Bridoux & Vishwanathan, 2020) since there are several individual characteristics and managerial and organizational conditions that have the potential to affect managerial performance during the preparation, implementation, and planning stages of the budget. Managerial performance can be influenced by other elements, namely the clarity of budget targets (Hameed *et al.*, 2021; Riyanto *et al.*, 2021).

Based on data from the Indonesian Cement Association, national cement consumers are minus 10.7%, with a volume reaching 62.5 million tonnes. Only in Papua region experienced growth of 9.6%. The decline in national cement consumers has led to an excess cement supply, including PT Semen Baturaja (Persero) Tbk. Excess supply and competition in the increasingly competitive cement industry encourage companies to operate more efficiently in managing budget planning and expenses incurred to achieve company goals (Azizah & Sri Wahyuningsih, 2020).

The company's funding sources can be optimized to fund strategic activities through efficient and adequate budget allocations. Limited revenue streams require PT Semen Baturaja (Persero) Tbk to prioritize activities and allocate budgets appropriately. Inefficiency and ineffectiveness of budget allocation can be indicated by the failure of managerial performance targets (Halin, 2018; Octarinie, 2022). The company's budget and implementation of sales,

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where sales are the ultimate goal of all activities, provide an overview of managerial performance (Asiah *et al.*, 2019; Ningsih *et al.*, 2020).

## 2. Literature Review

### 2.1. Goal Setting Theory

Goal setting theory is a part of the motivation theory developed. This theory describes setting goals related to achievement or performance. This theory also describes effective and efficient task performances that can be supported by firm goals and provide challenges and accurate direct responses (Ashwin, 2012; Shelef *et al.*, 2019).

### 2.2. Budget Participation

Budget participation involves the full participation and cooperation of managers at all levels. The budgeting method is given to lower-level managers participating in budget development, being responsible for the budget performance, and encouraging creativity (Amir *et al.*, 2020; Hariyanti *et al.*, 2021).

### 2.3. Clarity of Budget Targets

The clarity of budget targets is the extent to which those responsible for achieving these goals. They can understand the budget, and these objectives are stated in detail and with precise information. In budget execution, unclear goals can lead to dissatisfaction, confusion, and anxiety. It can result in a lack of motivation for budget executors to achieve the expected performance (Rosalinda & Widajantie, 2021).

### 2.4. Managerial Performance

Managerial performance is defined as the ability of a manager to carry out his responsibilities in a way that follows quantity and quality. Managerial performance can be the level of achievement of managers in carrying out programs or activities (Hermawan *et al.*, 2021).

### 2.5. Effect of Budget Participation on Managerial Performance

The development of managerial skills, which can lead to the improved financial performance of businesses, can be facilitated by managers at all levels participating in budgeting, disseminating job information, and employee job satisfaction. The managerial performance will decrease if budgeting participation is low, while managerial performance will increase if budgeting participation increases. Budget participation significantly affects managerial performance (Romario *et al.*, 2019; Widiawati & Yanuar RS, 2019).

### 2.6. The Effect of Budget Target Clarity on Managerial Performance

Employees can identify specific budget goals more quickly if they create clear information in the budget and ensure that planned performance is achieved. Budgeting must consider several factors to achieve this performance, including specific and challenging targets that employees can still achieve. The clarity of budget targets significantly affects managerial performance (Nasution, 2021; Rosalinda & Widajantie, 2021).

### 2.7. The Effect of Budget Participation and Clarity of Budget Targets on Managerial Performance

If participating in the budget-making process goes well and the goals are more specific, the budget can be made according to the goals set, and managerial performance will increase. Managerial performance is simultaneously influenced by budgetary participation, and the clarity of budget targets found (Maulida *et al.*, 2021)

## 3. Research Method and Materials

This research type is quantitative (Sugiyono, 2017, 2018, 2019). The research was conducted at PT Semen Baturaja (Persero) Tbk. The research population involved managers and supervisors at PT Semen Baturaja (Persero) Tbk, with 20 managers and 20 supervisors' illustrations. In this research, 40 respondents employed non-probability sampling through purposeful sampling. The parameters used in this research were personnel with a minimum supervisor position who have worked for one year. Descriptive statistical instruments, validity, and reliability tests were used to evaluate this research. Descriptive statistics were obtained by looking at the respondents' answers to each variable's smallest, most significant, mean, median, and standard deviation values. The validity test results were by looking at the *r*-count and *r*-table values. At the same time, the reliability test results are presented from the Cronbach Alpha

results. Then, the statistical data tests were carried out, namely by inferential statistical tests through multiple regression analysis tests, *t*-tests, *f*-tests, and coefficient of determination tests using the SPSS 26 application (Anggito, A, & Setiawan, 2018).

#### 4. Results and Discussion

Data collection was carried out by distributing questionnaires in October - November 2022 as data to be processed, which included six questions for the budget participation variable, seven questions for the clarity of budget targets variable, and eight questions for managerial performance variables using the Google form to 40 respondents at PT Semen Baturaja (Persero) Tbk.

**Table 1.** Results of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Budget Participation	40	18	30	26.25	2.734
Clarity of Budget Targets	40	19	35	28.83	4.088
Managerial Performance	40	24	40	35.58	3.515
Valid N (listwise)	40				

According to the data in Table 1, the managerial performance variable (Y) has a maximum value of 40, and the budget participation variable (X1) has a maximum value of 30. Moreover, the budget participation variable has a standard deviation of 2.734 and a mean of 26.25. As a result, respondents admit that managerial participation is influenced by budgeting. The average and standard deviation of the variable clarity of budget targets (X2) are 28.83 and 4.088, respectively. As a result, respondents who made statements regarding the clarity of budget objectives agree that its clarity will impact managerial performance. The managerial performance variable (Y) has a standard deviation of 3.515 and a mean of 35.58. In other words, respondents agree that various factors influence managerial performance.

Respondents' answer information is used to describe the review so that it can be seen the condition of each variable parameter that has been studied. The description of these variables was done by categorizing the respondents' answers based on the average score of the respondents' answers.

**Table 2.** Category Average Respondent Scores

Questionnaire Interval	Category
1.00 – 1.80	Not high
1.81 – 2.60	Not high enough
2.61 – 3.40	High Enough
3.41 – 4.20	Tall
4.21 – 5.00	Very high

##### 4.1. The Effect of Budget Participation on Managerial Performance

Based on the results of the *t*-test, budgeting participation has a sig value.  $0.000 < 0.05$  illustrates that  $H_a$  is accepted even though  $H_0$  is rejected. The managerial performance of PT Semen Baturaja (Persero) Tbk was partly influenced by participation in preparing the budget. This illustrates that an increase in management efficiency is influenced by participation in the budgeting itself and that participation is correlated with an increase in management efficiency. In line with the research, it can be seen from the previous description that managerial performance increases when participation in budgeting increases (Maulida *et al.*, 2021; Soleiman & Thalib, 2021).

##### 4.2. The Effect of Budgetary Target Clarity on Managerial Performance

Based on the results of the *t*-test, the clarity of budget targets has a Sig value. If  $0.620 > 0.05$ , then  $H_a$  is not accepted, and  $H_0$  is also accepted. So, this illustrates that at PT Semen Baturaja (Persero) Tbk, managerial performance is not influenced by the clarity of budget targets, and increased managerial performance did not correlate with the clarity of budget objectives. This research is in line with the conclusions that managerial performance is not affected by the clarity of budget objectives. Managerial performance is affected by the clarity of budget objectives (Maulida *et al.*, 2021; Soleiman & Thalib, 2021).

**Table 3.** Recapitulation of Respondents' Responses

<b>Indicator Variables</b>	<b>Indicator Variables</b>	<b>Average</b>
Budget Participation	I am also involved in designing the budget, which is my responsibility in my department	4.475
	I am increasingly compelled to work within the proposed budget	4.4
	I discuss the budget drawn up with my boss	4.425
	I have essential powers of planning and enacting budgets	4.2
	The prepared budget will be implemented as much as possible	4.375
	The budget is prepared according to the needs	4.375
<b>Average</b>		<b>4.375</b>
Clarity of Budget Targets	The budget is made as a program guide for achieving company targets	4.2
	The budget is designed following established standards	4.075
	The budget contains the performance achieved	4.125
	Setting targets in the budget is based on the level of work importance	4.025
	The prepared budget can be realized	4.3
	The budget contains the grace period needed to make it happen.	
Budget target setting is communicated with the parties involved	4.025	
<b>Average</b>		<b>4.118</b>
Managerial Performance	Critical information required for budget planning is ready and complete	4.4
	Placing staff following the capabilities and performance that have been shown	4.45
	Collaborate and exchange information with related parties to achieve company goals	4.475
	Programs that are currently running and those that have been executed are evaluated together	4.3
	Superiors control the duties and responsibilities of subordinates	4.475
	The program that will be submitted and implemented is analyzed first	4.575
	In procuring the required goods or services, contract negotiations are conducted with outside parties	4.35
	Socializing with the surrounding environment and other companies	4.55
<b>Average</b>		<b>4.45</b>

#### 4.3. The Influence of Participation in Budgeting and Clarity of Budget Targets on Managerial Performance

The Sig value based on the results of the F test is  $0.000 < 0.05$ , or the value of  $F_{count} > F_{table}$  is  $29.545 > 3.25$ , indicating that  $H_a$  is accepted and  $H_0$  is rejected. Thus, it can be concluded that the managerial performance of PT Semen Baturaja (Persero) Tbk (Y) is simultaneously affected by the independent variables, namely the level of budget participation (X1) and budget clarity, as well as budget objectives (X2). Managerial performance is simultaneously influenced by budgetary participation and clarity of budget targets. The managerial performance will be positively affected if budget planning is efficient, and vice versa if poor participation in budgeting negatively impacts managerial performance. Budgeting clarity and good budgeting participation will assist management in fulfilling its responsibilities and achieving organizational goals. Therefore, it can be concluded that managerial performance increases when budget participation and clear budget goals also increase (Nasution, 2021; Rosalinda & Widajantie, 2021).

## 5. Conclusion

This research aims to determine how managerial performance is affected by budgetary participation and clear budget targets at PT Semen Baturaja (Persero) Tbk. Twenty managers and 20 supervisors at PT Semen Baturaja (Persero) Tbk became respondents in this research. The following conclusions can be drawn from information analysis, hypothesis testing, and research reviews: a. The result of the  $t$ -test for the variable Participation in Budgeting (X1) is the value of Sig.  $0.000 < 0.05$ , indicating that the managerial performance of PT Semen Baturaja (Persero) Tbk has increased significantly with partial budgeting participation. Implying that managerial performance is correlated with participation in budgeting. b. For the variable Clarity of Budget Targets (X2) with the side effects of the  $t$ -test, with a value of Sig.  $0.620 > 0.05$ , indicating that managerial performance is not significantly affected by the clarity of budget targets. This shows that the clarity of budget targets is not in line with the managerial performance at PT Semen Baturaja (Persero) Tbk. c. For the results of the F test with a value of Sig.  $0.000 < 0.05$  and evidenced by the value of

Fcount > Ftable of 29.545 > 3.25, indicating that the managerial performance of PT Semen Baturaja (Persero) Tbk can increase due to increased participation in budgeting and clear budget targets.

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