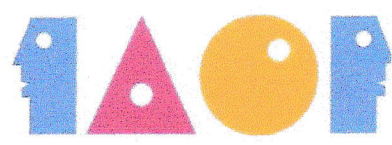


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LEADERSHIP STYLES IN BUDGETING PARTICIPATION TO SUPPORT MANAGERIAL PERFORMANCE

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Abstract

This research aims to find the model of leadership styles in the implementation of budgeting participation to support managerial performances in star hotels in Palu. The research was conducted by a field research and used survey method for data collection. The population of the research were employees that involve in budgeting and hotel manager. The result showed that budgeting participation, directive, participative and supportive styles of leading have positive influence on managerial performance. Achievement-oriented leader is influential toward managerial performances.

Keywords: Leadership styles, budgeting participation, and managerial performance.

Introduction

The growth of hotels in Indonesia has shown positive trends each year. As reported globally, companies engaged in the global hospitality business and research record new growth projections in Indonesia until the first quarter / 2013

reached 24.2% with a total of 30 942 rooms. In its official statement, Vice President of Digital Media & Communication STR Global, Jeff Higley, said that the total planned development of new hotels in the Asia Pacific region reached 1,788 hotels (quoted in the online portal bisnis.com). The rapid growth of hotels

in Indonesia each year has made a more competitive market for hotel business in Indonesia.

Hotel companies are not only required to survive in the future global economy but are also expected to maximize profits with the available resources. Not only financial management skills, but the managers are expected to do short-term profit plans. Short-term planning can be realized by planning the budget each year. Budget is an essential tool for planning and controlling the effective short-term within the organization (Anthony & Govindarajan, 2005: 73). Budget is not only as a financial planning tool, but also as a means of control, coordination, communication, performance evaluation, and motivation (Hansen & Mowen 2001: 383).

The success in managing an organization or company is supported by some factors such as leadership and the support of staffs in working to achieve the purposes of the organization. A leader needs to know what is expected from him in order to understand his roles and demanded competence. Participation in the preparation of the budget is a managerial approach which is generally considered to improve managerial performance. Individuals who participated in the preparation of the budget will be more responsible for their job compared to individuals who were not involved in the preparation of the budget. The success of managers in preparing the budget of company also becomes a barometer in assessing the performance of managers.

The focuses of many researchers are mostly on problems regarding budgeting such as leadership styles especially in behavioural accounting domain. Fieldler (1978) and Candra (1978) in Sumarno (2005) found that the right leadership styles will have positive impacts on budgeting encouragement or in other words, the effectiveness of budgeting participation will be influenced by leading styles. Himawan (2010) and Ika (2010) found positive and significant results between leadership style and budgeting participation.

Literature Review

Leadership styles

Veithzal Rival (2008: 2) revealed the leadership is "the process of influence in determining organizational goals, motivating followers to achieve the objective behaviour, influence to improve the group and its culture". Furthermore Veithzal Rival (2008: 3) stated that:

"Leadership is also said to be a process of directing and influencing the activity of the activity that has to do with the work of the members of the group, which contained three important implications in this regard; (1) leadership that involves others either subordinates or followers' (2) leadership involves the distribution of power between the leader and the group members in a balanced manner, because the group members are not without power, (3) the ability to use different forms of power to influence his behaviour through various means ".

Veithzal Rival (2008: 3) argued style of leadership is " a set of leadership traits used to influence subordinates in order to achieve organizational goals or can also be said that the style of leadership is a pattern of behaviour and preferred strategy and is often applied by a leader ". The same opinion was delivered Miftah Thoha (2007: 49) saying that "leadership style is the norm of behaviour used by someone when the person is trying to influence the behaviour of others as he sees".

The Path-Goal Theory of Leadership revealed four leadership styles; *directive, supportive, participative, and achievement-oriented leadership* (House and Mitchell, 1974). The house's path-goal theory expressed by Miftah Thoha (2007: 42) inserted four different types or styles of leadership are described as follows:

- (1) Directive leadership, this model of leadership is similar to autocratic style of leadership from Lippit and White. The employees know exactly what they are expected to do and understand what they are asked to do from the heads. In this model there is no participation from employees;
- (2) Supportive leadership, this model of leadership is when the leader have willingness to explain himself, friendly, approachable, and have a genuine humanitarian concern for his subordinates or employees;
- (3) Participative leadership; in this style of leadership, the leader tried to ask and use the suggestions from subor-

dinatees or employees, but the decision remains on him

- (4) Achievement-oriented leadership; in this style, the leader sets series of goals that challenge its employees to participate. The leader also gives confidence to them to be able to do their job right and achieve its main objectives.

Leadership styles and manager performance

Miftah Thoha (2007:49) found that the if the leader in particular organization needs to develop and motivate the staff to increase the organization's productivity, then the leader needs to figure out his way of leading. House *and* Evans in Miftah Thoha (2007:42) described the *path-goal* theory in modern development about the influence of leader's behaviour toward motivation, satisfaction and the work execution of the employees.

Budgeting participation

Munandar (2001:1) argued that "budget is a systematically arranged plan which covers all activities of the company expressed in monetary units and is valid for a period of time (period) certain to come". Horngren, et.al. (2003: 6) revealed that "budget is the quantitative expression of the proposed plan of action by management and is an aid to coordinating what needs to be done to implement that plan," while Supriyono (2001: 340) states that "the budget is a detailed plan formally expressed in a quantitative measure, usually in the money, to demonstrate the acquisition and use of the

resources of an organization within a specified period, usually one year ". Anthony, Dearden M Bodford (2000: 499) argued that "budget is both a planning tool and control tool". The opinion explained that the budget has two important roles within an organization; on the one hand, the budget serves as a tool for planning (planning) and on the other side of the budget serves as a tool for short-term control (control) for an organization. Lubis (2010: 173) stated that "participation is a decision-making process shared by two or more parts, where the decision will have an impact in the future against those who make it, in other words the worker or lower-level managers have a voice in the management process", Kenis (1979) argued that "budgeting participation is process of manager involvement in arranging budget for the company" while (Brownell, 1982) argued that "budgeting participation is a process by which individuals are involved in it and have an influence on the preparation of the budget target performance which then will be evaluated and are likely to be rewarded for the achievement of their budget targets".

Budgeting Participation and Manager Performance

Ernawaty (2012) revealed that the involvement (participation) of various parties in budgeting process along with participatory budgeting are expected to increase managerial performance. The objectives or goals that are set collectively will maximize the performance of employees as they will be responsible to achieve what they have arranged and

agreed upon (Milani, 1975). This argument implies that the seriousness in achieving goals organization by the subordinates will increase the effectiveness of the organization, as it reduces or even eliminates the potential of onflict between individual goals and organizational goals

Population and Samples

Population is a group of people, events or things that have certain characteristics (Indriantoro, 2002: 115) while Sugiyono (2008: 117) defined the region's population is a generalization which consists of object / subject that has certain qualities and characteristics defined by the researchers to learn and then drawn conclusions from. The population in this research are all five-star hotel in Palu city. The sampling is based on the approach of (Slovin in Umar 1999: 67).

Types and Data Collection

The data used in this study are primary data. Primary data is a source of research data obtained directly from the original source. Primary data used in this study was obtained from the results of questionnaires distributed to samples that have been determined (employees and hotel managers).

Results and Discussion

Reliability and Validity Analysis

The results of reliability test using SPSS software showed Cronbach's Alpha value is high. Each variable was obtained value of Cronbach's Alpha for

participation budget of $\alpha = 0.923$, the leadership style of $\alpha = 0.925$, managerial performance at $\alpha = 0.893$. A construct or a variable is said to be reliable if the value of Cronbach Alpha > 0.60 (Nunnally, 1960). Under these conditions, the instrument on the research to be conducted can be considered reliable or consistent to measure the construct research.

Validity test used to measure whether or not a legitimate or valid questionnaires. Validity relates to the accuracy of measuring devices to do its job objective. Validity touch with reality (actually). Validity is also related to the purpose of measurement. A questionnaire is said to be valid if the questions on the questionnaire were able to reveal something that will be measured by the questionnaire. (Ghozali, 2009: 49). Invalid measuring tool will provide measurement results deviate from the goal. This measurement deviation called by mistake (error) or varian. To test whether each indicator is valid or invalid can be seen on the output display Cronbach Alpha Correlated column Item-Total Correlation. From the data processing is known that all items have questions Correlated Item-Total Correlation bigger than r table. The questions considered valid if the value of r count which is the value of Corrected item-total correlation $>$ of r table. Based on the results if the data for all variables obtained value Corrected Correlation - Total item $>$ of r tables, so it can be

concluded that all the items in the questionnaire is a valid question.

Reliability test is meant to measure the stability and consistency of the respondents answered the items in question are the dimensions of an instrument arranged in the form of questionnaires. Tests on research conducted using the instrument reliability test methods Cronbach's Alpha. Batasan Cronbach's Alpha reliability score Score < 0.50 lower reliability category, a score of 0.50 to 0.60 and a sufficient reliability category scores above 0.70 to a high reliability category. (Jogiyanto, 2008: 52), but Cronbach's Alpha Score > 0.60 was considered quite reliable (Ghozali, 2006: 48).

Regression Analysis

Classical Assumption Test

Multi-collinearity is the situation there is a correlation between the independent variables with each other. One way to detect multikolenearitas is using the Pearson test. As a criterion, if the correlation between the two variables exceeds 0.8 then there multikolenearitas (Gujarati, 2006; 63). Multikolenearitas test results showed that kerelasi between the two independent variables do not exist in excess of 0,8. From table correlation (Pearson correlation) can demonstrate the value of the Budget Participation Managerial Performance of (0.623), directive leadership style with Managerial Performance of (0.659), Style Managerial Leadership Sportif

with the performance of (0.739), Participative Leadership Style with Managerial Performance of (0.740) and Leadership Style Achievement Orientation with Managerial Performance of (0.704), the value of these variables is under 0.8, or less than 0,8 so that it can be said not occur multicollinearity between variables. Based on the results if the data we can see the scatterplot that shows not happen heteroskedastisitas. The residual normality is to look at normal probability plots comparing the cumulative distribution by a normal distribution. Based on the results if the data we can see normal probability plots to meet the assumptions of normality.

Multiple regression test results presented that the value of R square is equal to 0.555, this means that the regression equation for budgetary participation, leadership style describes the managerial performance of 55.5%, while the remaining 45.5% is explained by other variables which are not included in this research model.

F test aims to show whether all the independent variables included in the model have influence together against the independent variable. From the results of multiple regression showed singnifikansi level of 0.000 (significant) meaningful participation and leadership style variables jointly affect managerial performance.

The t-test is to test the significant level of influence of independent variables on the dependent variable

individually. If t is smaller than t table then Ho is accepted, whereas if t is greater than t table then Ho is rejected (Ha accepted). The basic assumption is needed in this case is the significance level (α) of 5%.

a. Testing Hypothesis 1

The first hypothesis states that the positive effect of budget participation on managerial performance. The test results using multiple regression showed that budget participation has a positive relationship with a significance level of 0.000. Results of multiple regression analysis showed that budget participation has a positive relationship with a significance level of 0.000 (which means significant), the direction of this positive relationship means that the effect of budget participation on managerial performance, which means better participation, the budget will increase managerial performance.

b. Testing Hypothesis 2

The second hypothesis states that the directive leadership style positive effect on managerial performance. The test results using multiple regression showed that the directive leadership style has a positive relationship with a significance level of 0.017 which means significant implies that the leadership provides direction to employees will improve managerial performance.

c. Testing Hypothesis 3.

The third hypothesis states that the supportive leadership style positive effect on managerial performance. The test results using multiple regression showed that the supportive leadership style has a positive relationship with a significant level of 0.0018, which means a significant and implies that leaders are supportive, friendly and shows concern for employees will increase managerial performance.

d. Testing Hypothesis 4.

The fourth hypothesis states that the participative leadership style positive effect on managerial performance. The test results using multiple regression showed that participative leadership has a positive relationship with a significant level of 0.015, which means a significant and implies that leaders engage, communicate and consult and listen to the suggestions of subordinates will improve managerial performance.

e. Testing Hypothesis 5.

The fifth hypothesis states that the achievement-oriented leadership style positive effect on managerial performance. The test results using multiple regression showed that the achievement-oriented leadership has a positive relationship with a significant level of 0.026, which means a significant and implies that leaders set a series of challenging goals and expects subordinates to perform

semaksimalnya will improve managerial performance.

f. Hypothesis testing. 6

The sixth hypothesis which states that the supportive leadership style moderate the relationship between budgetary participation and managerial performance. Test results show that the supportive leadership style strengthen the relationship between budgetary participation and managerial performance. Supportive leadership style in the form of friendly and shows concern for the needs of employees moderating and strengthen relationship between budgetary participation and managerial performance.

g. Hypothesis Testing 7

The seventh hypothesis states that the leadership style partisipatif moderate the relationship between budgetary participation and managerial performance. Test results show that the participative leadership style that involves, communicate and consult and listen to the suggestions of subordinates moderate and strengthening the relationship between budgetary participation and managerial performance.

h. Testing Hypothesis 8

The eight hypothesis states that achievement orientation leadership style moderate the relationship between budgetary participation and managerial performance. The test

results showed that the leaders set a series of challenging goals and expects subordinates to perform as much as possible to strengthen and moderate the relationship between budgetary participation and managerial performance.

Conclusion

Budgeting participation has positive influence on managerial performance. This shows the more participation involving on budgeting process, the more managerial performances would likely to increase. Directive style of leadership has positive impact to managerial performances. The more leaders give directions to the employees, the more managerial

performances increase. Supportive style of leadership also showed positive result on managerial performances. The friendlier and the more considerate the managers are to the employees, the better performance they have. Participative style of leadership also gives positive results on managerial performances as the more participation the managers give to the budgeting process, the better performance of the managers. Achievement-oriented leaders also have better managerial performance.

Leadership styles that are applied in the budgeting process should use the bottom up method where the budgeting process involves staffs from each unit concerned.

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$$\sum K_{ij} = 25$$

$$S_{in} = \frac{2011}{2016} = \frac{5}{25} = 0,2$$

$$\sum R_{AD} = \frac{5}{25} = 0,2$$

