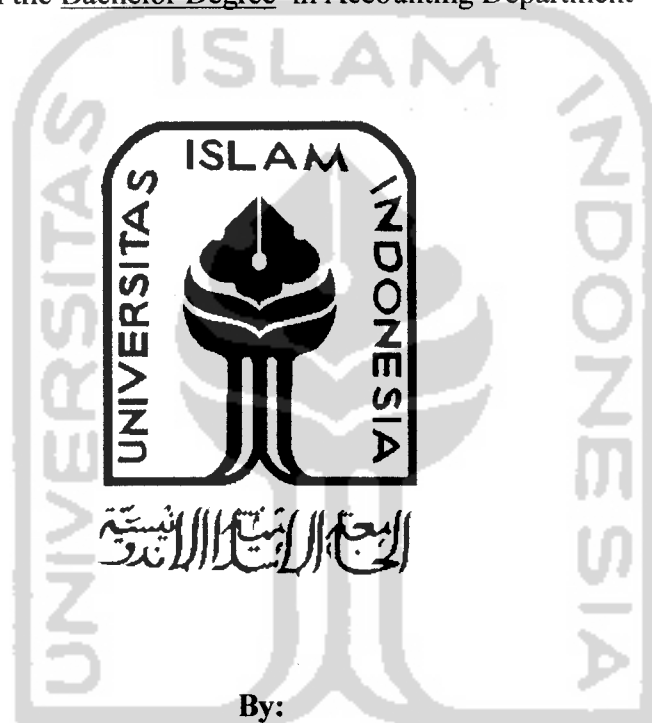


**The Effectiveness of Budget Participation on Decentralized
Firm: a Study Case at PT. Bukaka Teknik Utama**

A THESIS

Presented as Partial Fulfillment of the Requirements
to Obtain the Bachelor Degree in Accounting Department



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**DEPARTMENT OF ACCOUNTING
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ISLAMIC UNIVERSITY OF INDONESIA
YOGYAKARTA
2006**

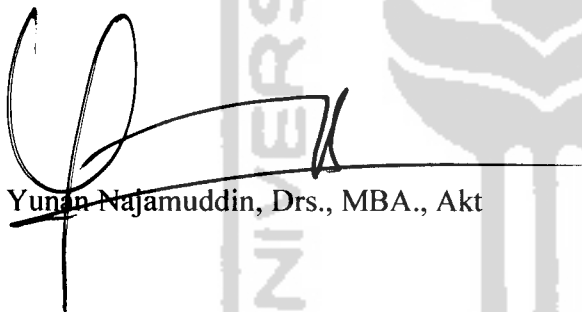
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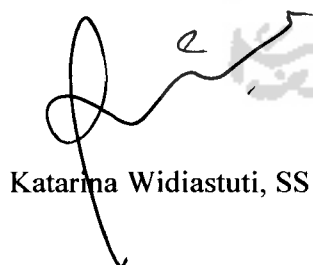
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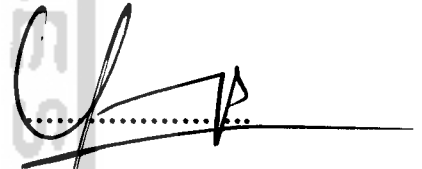
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Board of Examiners

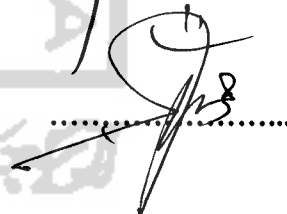
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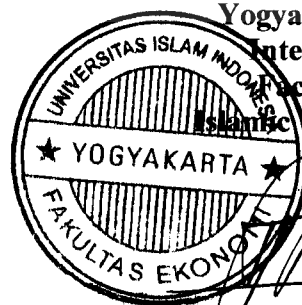
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Yogyakarta, October 2006



Dewi Indah Ratna Fury

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ABSTRACT

Dewi Indah Ratna Fury (2006), "The Effectiveness of Budget Participation on Decentralized firm: a Study Case at PT. Bukaka Teknik Utama." Faculty of Economics, International Program, Islamic University of Indonesia, Yogyakarta.

In this research, the writer want to investigated the impact of budget participation on the company that has high decentralization system and try to analyze the relationship between budget participation and performance, decentralization and performance, and decentralization to budget participation. Using a fit approach, it was hypothesized that a fit between higher level of decentralization would be more likely be associated with higher level of performance. Analyses is based on the responses of 100 middle and lower level manager at PT. Bukaka Teknik Utama.

The result show that, first, a high degree of decentralization level will more likely be associated with high performance; a low degree of it will more likely be associated with low performance, second, a high degree of participation in budgetary process will more likely be associated with high performance; a low degree of it will be more likely be associated with low performance and the third, a high degree of fit level of decentralization will be give significant influence on budget participation, and a low degree of it will be more likely associated with not significant influence. The relationship between decentralization and budget participation is weak because of several factors that might be happened in the company such as uncomfortable working environment or lack of positive attitude by workers, etc.

ABSTRAK

Dewi Indah Ratna Fury (2006), "The Effectiveness of Budget Participation on Decentralized firm: a Study Case at PT. Bukaka Teknik Utama." Fakultas Ekonomi, Jurusan Akuntansi, Internasional Program, Universitas Islam Indonesia, Yogyakarta.

Dalam penelitian ini, penulis ingin menyelidiki pengaruh dari partisipasi dalam budgeting proses dalam perusahaan yang menganut system desentralisasi tinggi dan mencoba untuk menganalisa hubungan antara budget participation terhadap performance, decentralization terhadap performance dan decentralization terhadap budget participation. Dengan menggunakan pendekatan kesesuaian, maka tersusunlah hipotesis. Penelitian ini dilakukan berdasarkan respon dari 100 respondent dari manajer tingkat rendah sampai menengah di PT. Bukaka Teknik Utama.

Hasilnya menunjukkan bahwa, pertama, tingginya level desentralisasi dapat diasosiasikan dengan tingginya kinerja dan rendah level desentralisasi dapat diasosiasikan dengan rendahnya level kinerja, kedua, tingginya level dari budget participation dapat diasosiasikan dengan tingginya level kinerja dan sebaliknya, rendahnya level dari budhet participation dapat diasosiasikan dengan rendahnya level kinerja, dan yang ketiga, tingginya level dari desentralisasi dapat memberi pengaruh yang significant pada budget participation. Hubungan antara desentralisasi dengan budget participation significant tapi lemah, hal ini dapat terjadi karena beberapa hal yang terjadi pada perusaam seperti kurang nyamannya lingkungan kerja atau minimnya tingkat kesadaran pekerja untuk mempunyai perilaku yang positif, dsb.

CHAPTER I

INTRODUCTION

1.1. Study Background

Reflecting today's business issues, a company should change its performance measures by considering several points: the company strategy, the relationship among the company's functions, the company's multidimensional environment and a deep understanding of cost relationship and behaviour.

Firms change their supply organization to a more decentralized structure faces number of implementation issues, including the business unit concerns, role of the chief purchasing officer, top management involvement, changes to existing purchasing staff and the involvement of consultants. Today many large companies investigating implementation issues that chief purchasing officers faced as their supply organization has change into greater decentralization. Once the decision was made to decentralize, responsibility for implementation was given to the chief purchasing officer (CPO).

The adoption of a contingency approach to budget participation research has to led to the identification of factors that may potentially determine to the relationship between participation in the budget settings and performance. On the contrary its effectiveness is dependent on certain contextual such as motivation, locus of control, attitudes and organizational factors such as level of decentralization, leadership style, and environmental factors such as environmental uncertainty and volatility.

Brownell (1982) mentioned the reason why participation has relationship with performance are (1) generally participation assessed as one of managerial approach that can increase performance of organization's member, (2) many research which testing relationship between participation and performance have different result. Argyris (1952), Becker and Green (1962), Brownell (1982), Brownell and Mc.Inness (1986) show that participation on budgeting process has positive and significant influence to performance. Milani (1975), Kenis (1979), and Brownell and Hist (1986) found that participation gives insignificant influence in budgeting process. Negative influence between participation in budgeting process was concluded by Steers (1979) and Ivancevich (1976).

In certain condition, the managers need tools to coordinate, planning, so that limited resources are able to compete in environmental condition that always change everytime. One of many tools that can help planning, coordinate, and communicate between superior and their subordinate is budget. Manager performance is a factor that supports the effectiveness of an organization.

Budget participation in this study is similar to Milani (1975), which is the level of involvement and level of impact that felt by individual in budgeting process. The level of involvement and level of impact becomes the main factor in Milani's research to differentiate participative budget and non-participative budget, where as participative budget causes respective attitude employee to their job and company (Milani 1975).

Participation on budgeting process is a significant tool to be consider as a factor that has influence to the effectiveness organization (Indriantoro, 1995), because participation influence many factors such as motivation, performance, job

satisfaction, and attitude. Argyris (1952) said that budgeting system at that time caused dissatisfaction employee and front line management, so he suggested participation in budgeting process.

This study expands the budget participation by examining the joint impact of decentralization. Decentralization give a lot of impact especially in high decentralized firm, because actually "top down" budget process less effective to reach the objectivity than "bottom up", in "top down" system we will find difficulties because of lack of commitment on the part of budge tees and because in the fact that top manager has given up day to day operation to divisional manager, and usually annual divisional budget set by top manager will not logic for divisional manager.

O'Connor (1995), found that congruence between manager's value orientation for power distance and their orientation in budget setting and their performance evaluation process, leads to lower ambiguity and more favorable superior subordinates relationship. Decentralized structures relate to the level of autonomy that manager have in decision making (Gordon and Narayanan 1984), and budgetary participation refers to the extent to which managers are involved with, and have influence on, and determination of their budget.

These management control tools are important for two reason, first, decentralization and budget participation are two common management control tools that adopted by an organization for motivating and assisting in their work performance. Second, previous study indicate that not all managers are comfortable with the same level of decentralized structure and budgetary participation. Indeed, an inappropriate level of decentralization and budget

participation can lead to unfavorable job-related outcomes such as invalid information, low morale, and low job satisfaction.

Therefore, a divisional manager should incorporate important information to the top manager to achieve budget goals. According to Govindarajan and Anthony (2000, p.373) the effective budget preparation is blending the two approaches. Budgetees prepare the first draft for their area of responsibility, which is “bottom up”; but they do so within guidelines as established at a higher level, which is “top down.”

Based on the background above, the researcher would like to propose a research study entitled “THE EFFECTIVENESS OF BUDGET PARTICIPATION ON DECENTRALIZED FIRM : A STUDY CASE AT PT. BUKAKA TEKNIK UTAMA.”

1.2. Problem Identification

In this research, the writer would like to focus on PT. Bukaka Teknik Utama in the relationship between decentralization and the effectiveness of budget participation and how high a degree between budget participation and decentralization is associated with high performance and the contrary. So in this research, the writer would like to examine whether there is true or not decentralization gives effect on the effectiveness of budget participation, and performance, in this term especially managerial performance.

1.3. Problem Formulation

The researcher would like to examine whether decentralization gives effects on the effectiveness of budget participation that are formulated by following questions:

- 1 How has decentralization influence to the effectiveness of budget participation at PT. Bukaka Teknik Utama?
- 2 How does participation on budgeting process give influence to performance at PT. Bukaka Teknik Utama?
- 3 How is the influence of decentralization upon the performance at PT. Bukaka Teknik Utama?

1.4. Research Limitation

The research will be limited in the area close to the problem which can give clear description about the analysis of the possible answer for the problems. The limitations of the study are:

1. This research will be limited to a company at PT. Bukaka Teknik Utama.
2. This study is aimed to examine whether budget participation influence by decentralization especially on high decentralized firm.
3. The terms of performance in this research only focused on employee performance.

1.5. Research Objectives

The objectives of this research are:

- 1 To examine the effectiveness of budget participation and decentralization on decentralized firm such as PT. Bukaka Teknik Utama.
- 2 To examine the influences of budget participation to performance at PT. Bukaka Teknik Utama.
- 3 To examine the influences of decentralization to performance at PT. Bukaka Teknik Utama.

1.6. Contribution of Research

- 1) For Academician

As sources of data in doing other similar research that have relation with decentralization, and budget participation.

- 2) For Accountant

The accountant can have more knowledge and theory development by this research related to the decentralization, and budget participation, management accounting and behavior in general.

- 3) For Company

Company may consider how decentralization can give effect to the budget participation and performance. So, the company will be more aware to pay attention to their organizational structure to achieve their goal.

1.7. Definition of Terms

1. Decentralization

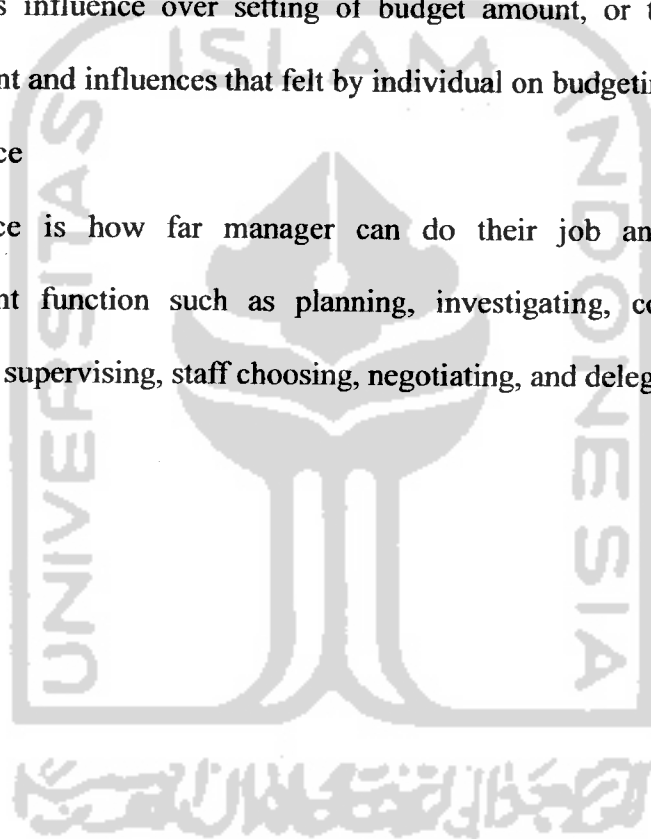
Decentralization is organizational structure that indicate distribution of power within an organization.

2. Budget participation

Budget participation is a process in which the budgetee is both involved in and has influence over setting of budget amount, or the level of involvement and influences that felt by individual on budgeting process.

3. Performance

Performance is how far manager can do their job and do their management function such as planning, investigating, coordinating, evaluating, supervising, staff choosing, negotiating, and delegating



CHAPTER II

REVIEW OF RELATED TO LITERATURES

2.1. Literature Review

2.1.1. Budget Participation

Budget participation is a process in which the budgetee is both involved in and has influence over setting of budget amount, or the level of involvement and influences that felt by individual on budgeting process. The effectiveness of budget define on how budget achieve their goal to maintained (1) strategic planning accommodation, (2) to coordinating several divisions of an organization activity, (3) to give responsibilities to managers to authorized the amount they can use and to give information about the result of their expectation, (4) to achieve cooperation which the base to evaluate the manager actual performance. If budget can achieve their goals such as mention above, we can said that the budget is effective budget.

According to Anthony and Govindarajan (2000, p373), there are two kinds of budget process which are “top down” and “bottom up.” In top down budgeting, senior management sets the budget for the lower levels. With bottom up budgeting, lower-level managers participate in setting budget amounts. Actually, an effective budget preparation process blends the two approaches. Budgetees prepare the first draft of the budget in their area of responsibility, which is “bottom up”; but they do so within the guidelines establish at higher levels, which is “top down.”

Research has shown that budget participation (i.e., a process in which the budgetee is both involved in and has influence over the setting of budget amounts) has positive effects on managerial motivation for worker performance for two reasons:

- 1 There is likely to be greater acceptance of budget goals if they are perceived as being under manager's personal control, rather than being imposed externally. This leads to higher performance personal commitment to achieve the goals.
- 2 Participative budgeting results in effective information exchanges. The approved budget amounts benefit from the expertise and personal knowledge of the budgetee, who are closest to the product/ market environment. Further, budgetees have clearer understanding of their job through interactions with superiors during the review and approval phase.

By compiling budget in participative way we hope that manager performance will increase. This is based on the theory that when the standard that designed by participative agreed, workers will internalization the standard and will have personal responsibility because they felt involved in designed the standard (Milani 1975).

By participation will create transfer information mechanism, this transfer information will make each manager to gain information needed about the work (Hopwood 1976).

Actually, based on Vroom (1988) differentiate participation into 2 which are: (1) Participation feeling and (2) Real participation.

Participation feeling means how far individual that he/she gives impact to decision making, and the real participation included legislated participation which is formal system creation to purpose special decision making and informal system which is participation between manager and their subordinates.

2.1.2 Decentralization

Decentralization is organizational structure that indicate distribution of power within an organization. Hongren, Sundem, and Stratton (1996) define decentralization as the delegation of freedom to make decisions. The lower in the organization that this freedom exists, the greater the decentralization. Inclusion of decentralization, a proxy for organizational structure, in the analyses is based on the following reason. The most popular terms of definition is provided by H.A. Simon:

An administrative organization is centralized to the extent that decisions are made at relatively high levels in the organization; decentralized to the extent delegated by top management to lower levels of executive authority.

Morrow (1993), Mathieu and Zajac (1990), suggest that, in general organizational commitment tends to increase as the level of decentralization increases. Smith (1998) and Russell (1992) argue that because managers who are innovative creative need higher decision making autonomy, it is argued that higher decision making autonomy will aid managers in managing less predictable and more dynamic environment effectively.

There are many benefits of decentralization in an organization, first, lower-level managers have the best information concerning local condition and make decision better than their superior. Second, manager acquire decision making ability and other management skill that help them move upward in the organization, assuring continuity of leadership. Decentralization more popular in profit oriented organization, because, managers can be given freedom when their results are measurable so that they can be held accountable for them.

Lawler (1986) argued that the presence or absence of power levels within organization is crucial in determining the effectiveness of a participative management program. Organizational structure may indicate the distribution of power within an organization. In centralized organization, important decision only taken by top management. Divisional managers are constrained by various rules, procedures and policies that govern their operations. On the contrary, in organization characterized with a high degree of decentralization, top managers have intentionally given up their control on day to day operations.

Many organization moved toward decentralization to promote managerial efficiency and to improve employee satisfaction. Indeed, recent research has shown that employee regard their companies as being more fair to the extent that they are decentralized. Decentralization is not always an ideal step for organization to take. In the fact that for some types of jobs, it actually may be a serious hindrance to productivity.

Table 1

Decentralization: benefits when low and when high

Low Decentralization (High Centralization)	High Decentralization (Low Centralization)
<input type="checkbox"/> Eliminates the additional responsibility not desired by people performing routine	<input type="checkbox"/> Can eliminate levels of management, making a leaner organization
<input type="checkbox"/> Permits crucial decisions to be made by individuals who have the "picture"	<input type="checkbox"/> Promote greater opportunities for decisions to be made by closest to problem

Criteria of decentralized firm are:

- 1) On decentralized firm managers have larger autonomy in making decision.
- 2) On decentralized firm middle and lower level managers are involve in important decision making.
- 3) On decentralized firm top management focus on long term strategic decision, and divisional managers being involved in operating decision.
- 4) On decentralized firm autonomy must be real and not only lips service, it means that in most circumstances top managers must be willing to abide by decision that made by divisional manager.
- 5) An organization' divisions are relatively independent one of another, so, decision made by a divisional manager will not affect other division.

- 6) It allows organizations to respond quickly and effectively to a problem because those closest to a problem (divisional manager) have best information needed and can respond better.
- 7) It fulfill the need for autonomy and is thus a powerful motivational feature for manager.
- 8) On decentralized firm managers are provided with greater decision making autonomy with planning and controlling, including matters relating to purchase capital items, pricing product and services, hiring and firing of personnel.

2.1.3 Performance

Performance is supporting factor of the effectiveness an organization, Mahoney *et.al* (1963) assessing manager performance based on their ability, in their managerial activity. Manager performance included the ability to: planning, investigating, coordinating, evaluating, observing, staff choosing, negotiating, delegating, and performing as whole.

Performance measures should derive from strategy, report conformance to specific strategic policies , trigger information concerning deviations from company policies and provide linkages between business actions and strategic plans.

Performance measures should report congruence throughout the organization. They should be increasingly specific and comprise a shorter term planning as they extend downward the lowest levels. In addition to hierarchical issues, performance measures should consider cross functional

relationships, or how these interrelationships can affect each function's performance.

2.1.4 Psychological Factors that Influence Performance Implications and Participation in Budget Setting

A. Job Satisfaction

Job satisfaction essentially reflects the extent to which an individual like his or her job, job satisfaction is an affective or emotional response toward various facets of one' job. Job satisfaction is not unitary concept, it is really relative for every people. Milani (1975) define that job satisfaction has positive relationship to participation in budgeting process. Because, it will give motivation to employees to have positive attitude toward their job.

B. Attitudes

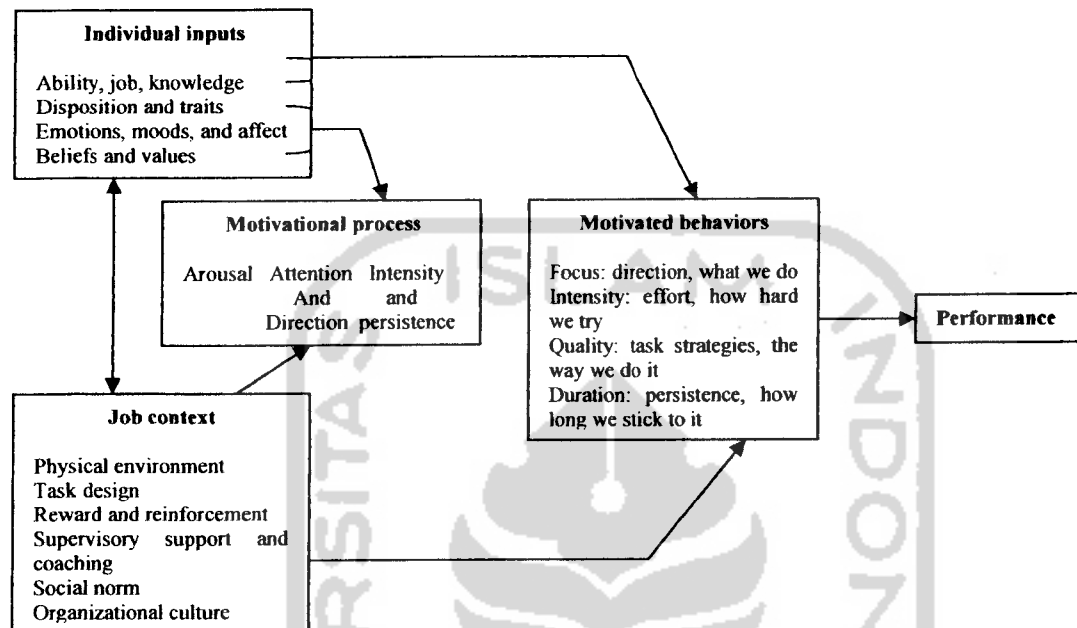
According to Mia (1988), attitude is treated as independent variable that may influence the relationship between budget participation and performance. Greenberg and Baron (2003) define attitude as relatively cluster feelings, beliefs, and behavioral intentions toward specific objects, people, or institutions. Other interpretation about attitude is determine individual behavior. Every employee will react to budget participation not in the same manner. Participation in the budget participation will be most

effective for employee who have more positive attitude. Festingers' (1957) theory of cognitive dissonance can be used to support these argument, employee with a more positive attitudes will tend to develop cognitive dissonance when their performance does not meet the expectation level, this cognitive dissonance create strong intent to improve performance.

C. Motivation

Greenberg and Baron (2003) define motivation as the set of processes that arouse direct, and maintain human behavior toward attaining some goal. Motivation also concerned with the choices people make and the direction their behavior takes. According to Kreitner and Kinicki (2004) motivation is the psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed. Obviously, people who do not persist at meeting their goals can't be said to be highly motivated. Motivation and performance are not synonymous; motivation is just one of several possible determinants of job performance.

Figure 1
A Job Performance Model of Motivation



D. Organizational Factor

Organizational Factors that can influence the effectiveness of budget participation and performance are:

1. Level of decentralization: Gordon and Narayanan (1984) instrument can be used to assess the level of decentralization of organizations structure in organization. The instruments use to assessing the extent to which authority delegated to appropriate managers for classes of decision, such as: Development of new product or service, hiring and firing, purchase of capital equipment, pricing, distribution of product or service.

2. leadership styles divided into two:
 - a. Autocratic leadership style: a style of leadership in which the leader makes all decisions unilaterally.
 - b. Participative leadership style: a style of leadership in which the leader permits subordinates to take part in decision making and also gives them a considerable degree of autonomy in completing routine work activities.
3. Environmental factors, such as environmental uncertainty and volatility. Porter (1980), Drucker (1995), Hane and Prached (1994, 1995) and other researchers stated that the extreme company environment condition will affect the management in doing company operation. Galbraith (1973) argue that in environmental situation that always changing, we need relevant information. Miken (1987) stated that the environmental changed most related with the environmental uncertainty. Kren (1992) use environmental volatility to testing relationship between participation and managerial performance.

2.2. Theoretical framework

Information about budget participation, decentralization, and performance has been discussed in many journals and literatures such as management control system, management accounting, behavioral accounting, organizational behavior and etc. By those information we can say the effectiveness of budget influences by level of decentralization, decentralization will affect to managerial performance, and the last is budget participation will give impact to managerial performance.

Decentralization gives a lot of influence in high decentralized firms when middle and lower level managers involve in budget setting, so can avoid unrealistic budget that set by top level manager. This unrealistic budget can be happened because of lack of commitment, and relevant information needed by division managers, because in fact top manager has given up daily operation to division managers, so, to avoid this, divisional managers should be incorporated important information to top manager to achieve budget goal. Through participation divisional managers have the chance to provide information because actually, participation is most effective in high decentralized firms that may expect the higher the level of decentralization in organization, the higher the effect of participation on budget setting.

Organizational structure may indicate the distribution of power in an organization. Actually, in organization characterized with high degree of decentralization, top management have intentionally given up control on day-to-day operation, this condition may cause top manager will lose some important information about the insight of the divisions, that will limit their knowledge

about the amount of needed to support the division's operations, and this will cause divisional manager performance negatively. In decentralized firm divisional manager will have greater autonomy in important decision making, high autonomy will leads to higher responsibility, and higher performance through increase the involvement in decision making.

Budget participation is the level of involvement or level of influence that felt by individual in budgeting process. Participative budget will respectively influence to employees attitude toward their jobs and company. Budget participation has influence to performance because there is will be greater acceptance of budget goals if they are perceived as being under managers' personal control, rather than being imposed externally. This leads to higher performance personal commitment to achieve the goals. Participation will create information mechanism flow, information will create possibility to better understanding about their duty; thereby hopefully the performance will increase.

2.2.1 The Relationship of Decentralization and Performance

O'Connor (1995), found that congruence between manager's value orientation for power distance and their orientation in budget setting and their performance evaluation process, leads to lower ambiguity and more favorable superior subordinates relationship. Lawler (1986) argued that the presence or absence of power at lower level within the organization is crucial in determining the effectiveness of participate management program.

Organizational structure may indicates the distribution of power in an organization. Actually, in organization characterized with high degree

of decentralization, top management have intentionally given up control on day-to-day operation, this condition may cause top manager will loose some important information about the insight of the divisions, that will limit their knowledge about the amount of needed to support the division's operations, and this will cause divisional manager performance negatively.

In more decentralized structure, managers are provided with greater decision making autonomy with planning and controlling, including matters relating to purchase capital items, pricing product and services, hiring and firing of personnel. Dansereau et.al (1975) said that bosses are often attempts to secure increased organizational commitment from subordinates by providing them with greater discretion and influence. It is argued that subordinates with high autonomy decision making develop greater responsibility and greater performance through increase involvement in making decision. In classic study, researcher found that decentralization found that decentralization improved that performance on some jobs. Based on theoretical framework above, we can make hypothesis formulation as following:

H_1 : A high degree of decentralization level will give significant influence to high performance; a low degree of it will more likely be associated with low performance.

2.2.2 The Relationship of Budget Participation to Performance

Performance is supporting factor of the effectiveness an organization, Mahoney *et.al* (1963) assessing manager performance based on their ability, in their managerial activity. Manager performance included the ability to: planning, investigating, coordinating, evaluating, observing, staff choosing, negotiating, delegating, and performing as whole.

According to Milani (1975), budget participation is level of involvement and level of impact that felt by individual in budgeting process. The level of involvement and level of impact becomes the main factor in Milani's research to differentiate participative budget and non-participative budget, which participative budget causing respective attitude employee to their job and company (Milani 1975). O'Connor (1995), found that congruence between manager's value orientation for power distance and their orientation in budget setting and their performance evaluation process, leads to lower ambiguity and more favorable superior subordinates relationship.

Brownell (1982) mention the reason why participation has relationship with performance, the reason are (1) generally participation assessed as one of managerial approach that can increase performance of organization's member, (2) many research which testing relationship between participation and performance have different result. Argyris (1952), Becker and Green (1962), Brownell (1982), Brownell and McInness (1986) showing that participation on budgeting process has

positive and significant influence to performance. Milani (1975), Kenis (1979), and Brownell and Hist (1986) found that participation give insignificant influence in budgeting process. Negative influence between participation in budgeting process concluded by Steers (1979) and Ivancevich (1976).

Participation in budgeting process will cause to managers role clarity and will leads to increasing knowledge, and managers awareness about their job and their responsibility. Finally, those kind of things will increase to managerial performance. Budget participation has influence to performance because there is will be greater acceptance of budget goals if they are perceived as being under managers' personal control, rather than being imposed externally. This leads to higher performance personal commitment to achieve the goals.

By compiling budget in participative way we hope that manager performance will increase. This is based on the theory that when the standard that designed by participative agreed, workers will internalization the standard and will have personal responsibility because they felt involved in designed the standard (Milani 1975). By participation will create transfer information mechanism, this transfer information will make each manager to gain information needed about the work (Hopwood 1976). This information will create possibility to better understanding about their duty; thereby hopefully the performance will increase. Based on theoretical framework above, we can make hypothesis formulation as following:

H_2 : A high degree of participation in budgetary process will give significant influence to high performance; a low degree of it will be more likely is associated with low performance.

2.2.3 The Relationship Between Decentralization and Budget Participation

Participation on budgeting process is significant tool to be consider as a factor that has influence to the effectiveness organization (Indriantoro, 1995), this study expands the budget participation by examining the joint impact of decentralization. Decentralization give a lot of impact especially in high decentralized firm, because actually “top down” budget process less effective to reach the objectivity to than “bottom up”, because in usually in “top down” system we will find difficulties because lack of commitment on the part of budge tees and because in the fact that top manager has given up day to day operation to divisional manager, and usually annual divisional budget set by top manager will not logic for divisional manager. To make the budget more realistic and more acceptable to divisional managers, they should be incorporated important information about the situation and conditions of divisions from divisional managers.

Decentralized structures relate to the level of autonomy that manager have in decision making (Gordon and Narayanan 1984), and budgetary participation refers to the extent to which managers are involved with, and have influence on, and determination of their budget. These

management control tools are important for two reasons, first, decentralization and budget participation are two common management control tools that are adopted by an organization for motivating and assisting in their work performance. Second, previous studies indicate that not all managers are comfortable with the same level of decentralized structure and budgetary participation. Indeed, an inappropriate level of decentralization and budget participation can lead to unfavorable job-related outcomes such as invalid information, low morale, and low job satisfaction.

So, to avoid this divisional manager should incorporate important information to top manager to achieve budget goal. According to Govindarajan and Anthony (2000, p.373) the effective budget preparation blends the two approaches. Budgetees prepare the first draft for their area of responsibility, which is “bottom up”; but they do so within guidelines as established at higher level, which is “top down.” Through participation, divisional managers working in decentralized organizations are given the chance to provide information.

As Emmanuel et al (1990) argued, participation is most effective for highly decentralized organizations. Hence, it may be expected that the more decentralized the organizations the higher the effect of participation in budget settings on performance. Based on the theoretical framework above, we can make hypothesis formulation as following:

H₃: A high degree level of decentralization will be give significant influence on budget participation, and a low degree of it will be more likely associated with not significant influence

2.3 Previous Research and Findings

The previous research done by Bambang Riyanto LS, this research published in Journal of Accounting Research in Indonesia volume. 2, No. 2, pp 136-153, July 1999. With Title “The effect of attitude, Strategy, and Decentralization on the effectiveness of Budget Participation”. In this section, other literatures also added as they proposed some argument related to budget participation, decentralization and performance.

2.3.1. Previous Theoretical Framework

This study expand the budget participation by examining the joint impact of strategy, organizational structure, attitude, and the relationship between participation and performance. Strategy in this terms refer to business unit strategy, organizational structure refers to the way of decision making distribution in an organization, and attitude represent manager’s attachment toward their jobs and companies. It was found that budget participation more effective in high decentralized firms.

According to Porter(1985) strategy is the search for a favourable competitive position in industry. A product differentiation strategy refers to provide a product or service that perceive by the customer somehow unique. Govindarajan (1986) and Gupta (1987) argued that empirical

evidence indicates that differentiate strategy will be associated different level of environmental uncertainty. The higher level of environmental uncertainty for differentiate strategy associated with greater participation from subordinates. Participation enable to exchange information between subordinates to superior, and may develop realistic budget. This may enhance the subordinate's performance.

Through participation divisional managers working in decentralized firms are have a chance to provide information to their superior will enable them to achieve budget goals. Participation more effective for highly decentralized firms. Hence, it may be expected that the more decentralized the organization, the higher the effect of participation on budget setting on performance.

Attitude will affect the individual interpretation about policies, rules, managerial style, and other organization events. This interpretation, determines individual behaviour. Consequently, all subordinates may not react to budget participation in the same manner. Participation in the budget setting is more likely be effective for employee who have positive attitude. Employee with positive attitude tend to develop cognitive dissonance when their performance does not meet their expectation. This cognitive dissonance creates a strong intent to improve performance. Based on the theoretical framework the previous researcher concludes three hypothesis, which are:

H_1 : A high degree of fit between budget participation and strategy of product differentiation will be more likely be associated

with high performance; a low degree of fit will be more likely be associated with low performance.

H_2 : A high degree of fit between budget participation and the level of decentralization will be more likely be associated with high performance; a low degree of fit will be more likely be associated with low performance.

H_3 : A high degree of fit between budget participation and The three contingent (attitude, decentralization, and strategy) will be more likely be associated with high performance; a high degree of fit between budget participation and the three contingent fit will be more likely be associated with low performance

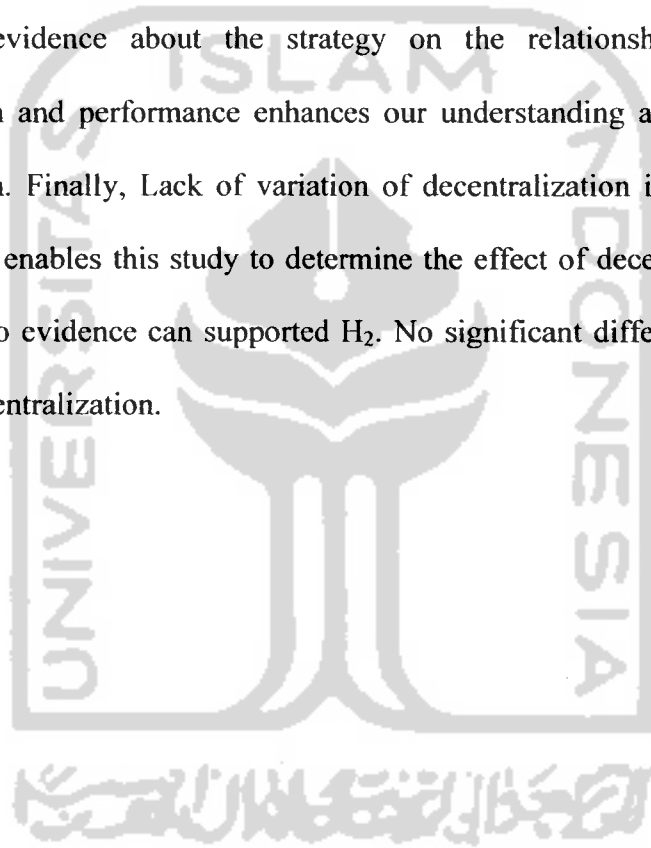
2.3.2. Previous Result

This result support the hypothesis mentioned above, the study investigated the effect of three contingent variables on the efficiency of budget participation, namely, strategy, level of decentralization, and attitude. The relation to attitude found that managers reporting is higher budget participation scores and higher attitude scores experiences a higher perceived performance. Allowing managers to participate in the budgeting process enables them to channel their skill, ability, and motivation to the organization.

This study found that attitude and strategy individually interact with participation to affect performance positively, and that both attitudes

and strategy simultaneously interact with participation to affect performance positively. This study also found that attitudes serve as individual variable that influence the magnitude of relationship between participation and performance.

This study also found that the effectiveness of budget participation was conditioned on strategy, especially in product differentiation strategy. Providing evidence about the strategy on the relationship between participation and performance enhances our understanding about budget participation. Finally, Lack of variation of decentralization in this study that did not enables this study to determine the effect of decentralization, there was no evidence can supported H_2 . No significant difference in the level of decentralization.





جامعة الإسلام في اندونيسيا

CHAPTER III

RESEARCH METHOD

3.1 Research Method

According to Sekaran (2000) in his book of Research Method for Business, hypothesis testing research is defined as “The study that engage in Hypotheses testing, usually explain the nature of certain relationships, or establish the differences among groups of the interdependence of two or more factors in a situation”.

Hypothesis, according to Sekaran (2000), is defined as “a logically conjectured relationship between two or more variables expressed in the form of a testable statement. Relationships are conjectured on the basis of the network of associations established in the theoretical framework formulated for the research study, by testing the hypothesis and confirming the conjectured relationships, it is expected that solutions can be found to correct the problem encountered”.

The format of the hypothesis in this thesis is Null (H_0) and Alternate Hypotheses (H_A). The null hypotheses state the exact relationships between two variables. Generally, a null hypothesis is expressed as no significant differences between two variables. While alternate hypothesis is the opposite of null hypothesis, which indicates that there is a significant differences between the variables.

In this study null hypothesis and alternate hypothesis format are chosen in this study to give clear description about the relationship between budget participation, decentralization and performance.

3.2 The Subject of the Study

The subject of the study is PT. Bukaka Teknik Utama Tbk. It is a subsidiary company from NV Haji Kalla, founded by Drs. M. Yusuf Kalla. This Company is based on regulation No. 149 on October 25 1978 made by Haji Babasa Daeng Lalo, SH in Jakarta. In the beginning PT. Bukaka is only a workshop with seven employees, then grow up into notable company in Indonesia running in infrastructure, engineering, and construction.

PT. Bukaka Teknik Utama Customer mostly is government department, such as Agriculture department, Publing working department, etc. The most exceeded product is Passenger boarding Bridge or Garbarata produced in 1987. Passenger boarding bridge has fulfilled 25% world needed and getting ISO 9001 for quality standard in 1993 and in the last five years it has produced 300 units. In 1993, PT. Bukaka Teknik Utama opened some subsidiary companies, which are Bukaka Forging, Bukaka Cable, and Bukaka Motor. In 1995, PT. bukaka Teknik Utama succeed entering stock market and enlisted as PT with 40% of their stock is in the stock market.

PT. Bukaka Teknik Utama is located in Cileungsi Bogor, precisely in JL. Raya Bekasi Naragong Km 19,5 Cileungsi Bogor 16820. Following are products of PT. Bukaka Teknik Utama:

1. Plant Contruction

- Asphalt Mixing Plant
- Diesel Generation Plant
- Coal Fired Steam power Plant
- Cement Plant

- Telecommunication Outside Plant
- Water Treatment plant
- Sugar Mill Plant

2. Road Construction and Machinery Equipment

- AMP Mobile Batch Type ten tons/hour
- Asphalt Finisher
- Asphalt Melting Kettle
- Asphalt Sprayer
- Concrete Mixer
- Stone Crusher
- Vibrator Roller

3. Material Handling Equipment

- Belt Conveyer
- Buchet Elevator
- Coal Feeder
- Crusher
- Ship Unloader
- RTGC (Rubber Tire Gantry Crane)

4. Oil and Gas Equipment

- Oil Pumping Unit
- Oil Rig

- FPSO (Floating Production Storage Offloading)
- Monopod

5. Airport Facilities

- Passenger Boarding Bridge
- Airport Refuller
- Mobile Passenger Stair
- Airport Catering Truck
- Baggage Conveyor
- Baggage Trolley

6. Steel Structure

- High Voltage Electrical Transmission Power
- Telecommunication Tower
- Overhead Crane Structure
- Pre- Fabricated Steel Bridge

7. Special Vehicle

- Fire Fighting Equipment
- Forest Fire Fighting Truck
- Road Sweeper Truck
- Vacuum Tank Truck
- Armoured Water Cannon
- Dump Truck

3.3 Research Setting

Some of the specific data needed for this research taken from a high decentralized company by using questioner, the questioner will be given to middle and lower level manager (division manager) to show the relationship between budget participation and performance, decentralization and performance, and decentralization and budget participation in that company. Therefore, this study will be held in high decentralized firm.

3.4. Research Instrument

The instrument of this research uses questioner to gather data needed, and information given by company. The data needed for this research are:

- 1 Data to show the level of decentralization in that company
- 2 Data to show participation in budget setting.
- 3 Data to show how the relationship between budget participation and managerial performance.
- 4 Data to show the relationship between decentralization and managerial performance.
- 5 Data to show the relationship between decentralization to budget participation.

3.5. Research Variables

Variables used in this study consist of three items, which are, budget participation, decentralization, and performance. In this research the Budget participation gives influence to performance; decentralization gives influence to

performance; and decentralization gives influence to budget participation. In this case decentralization and budget participation are the independent variables and performance is the dependent variables.

3.6. Research Procedures

In order to find empirical result answering the research problem, research procedures are arranged as follow:

- 1 Give the questioners that have been made to division manager to collect data needed.
- 2 Test the data Validity and reliability test before we do regression, to found out whether the data is valid or not to be processed.
- 3 Test normality data using Kolmogorov-Smirnov test to found out whether the data is normal or not.
- 4 Test the first hypothesis using multiple regression linear.
- 5 Test the second hypothesis using multiple regression linear.
- 6 Test the third hypothesis using single regression linear.
- 7 Find out whether the evidence served indicating the significant influences between budget participation and decentralization affect the performance, and the fit between decentralization affect the budget participation support the first hypothesis (H_1), second hypothesis (H_2), and third hypothesis (H_3).

3.7. Techniques of Data Analysis

3.7.1. Data Collection Techniques

The source of data needed for this research is the primary data that refers to information gathered by the researcher conducting the current study and also secondary data that refers to information gathered by someone other than the researcher conducting the current study. Such data can be internal or external to the organization and can be accessed through the computer or by going through recorded or published information (Sekaran,U.2000). This data is gathered and collected indirectly from the literatures related to the research topic such as from books, journals, articles, internet, and magazines. The techniques adopted to collect the data are:

a. Literature review

To do the literature review we gather data from literatures, books and previous research related to the problem which becomes the research topics.

b. Documentation

To do the Documentation we gather data from articles (magazines, newspaper, and internet), journals.

3.7.2. Data Analysis Techniques

a. Using questioner to collect data

b. Using SPSS version 10.0 to analyze statistical data using regression and correlation analysis.

- c. Using SPSS to test the validity and reliability of the data that we use
- d. Using SPSS to test the normality data by doing Kolmogorov-Smirnov test.
- e. Using single and multiple regression.



CHAPTER IV

DATA ANALYSIS AND DISCUSSIONS

4.1 Research Description

This research is intended to determine the role of match and fit between three variables which are Decentralization, Budget Participation, and Performance. The investigation is made to prove whether there is correlation between decentralization and performance, decentralization and budget participation, and budget participation and performance. This research also analyze the level of decentralization in a company, measure level of performance in a company, and measure level of budget participation in a company, especially at Bukaka Teknik Utama.

This research focuses on three variables which have correlational relationship between them. These variables are, first dependent variable id performance, and second is independent variables are decentralization and budget participation. Variable decentralization is used to measure performance, how decentralization give impact to performance, and how decentralization give impact to budget participation. The second independent variable is budget participation, we use this variable to measure whether budget participation has influence to performance. These variables whether as univariate, bivariate, multivariate, will be explain in the following.

In this study PT. Bukaka Teknik Utama is choosen to be as evaluated as object of research. The evaluation is based on three variable, which are

decentralization, budget participation, and performance. Each variable consist of ten items questions, with total item questions are thirty questions.

4.1.1. Collecting Data Process

The Data was collected at September 2005. The population of the respondent is lower and middle level manager at PT. Bukaka Teknik Utama. Data collected in form of questionnaire. One questionnaire consist of three part of questions. Each part question represent question related with variable that use in doing the research. 100 questionnaire distributed were taken as sample population, this because all this questionnaire were filled correctly.

4.2 Respondent Profile

The research was conducted in PT. Bukaka Teknik Utama located in Cileungsi Bogor, precisely in JL. Raya Bekasi Naragong Km 19,5 Cileungsi Bogor 16820. The respondents' profile were lower and middle level manager at PT. Bukaka Teknik Utama, that chosen randomly, without including the age, name, or tenure, to keep this research save from intimidating.

4.3 Important Attribute

The valid data is 100 with 0 missing data that use to conduct the research.

Table 4.3

Important Attribute

Statistics	Y		X1	X2
	Performance	Decentralization	Budget	Participation
N	Valid	100	100	100
	Missing	0	0	0
Mean	39.16	39.27	37.15	
Std. Error of Mean	.582	.577	.396	
Median	39.00	40.00	37.00	
Mode	46	46	34	
Std. Deviation	5.822	5.771	3.958	
Variance	33.893	33.310	15.664	
Range	18	18	20	
Minimum	30	30	28	
Maximum	48	48	48	
Sum	3916	3927	3715	

Source: Data Analysis 2006

4.3.1 Survey Results Based on Respondent Answer on Questionnaire

Based on questionnaire that spread to the respondent, we have found various opinion about their performance, decentralization, budget participation. Based the answer we see that:

Table 4.3.1

Performance Result

Variable	Result	Percentage
Performance	Moderate	52%
	High	48%

Source: Data Analysis 2006

Table 4.3.1

Decentralization Result

Variable	Result	Percentage
Decentralization	Moderate	50%
	High	50%

Source: Data analysis 2006

Table 4.3.1

Budget Participation Result

Variable	Result	Percentage
Budget participation	Moderate	77%
	High	23%

Source: Data Analysis 2006

Based on the answer we can see from the survey result that some of their lower and middle level manager has opinion about performance 52%; have moderate performance and 48% have high performance. From the table we can see that 50% of respondent's answer shows their opinion that the company has high decentralization level and the rest 50% showed that company has moderate decentralization level. The last is the result from budget participation, where we can see from the table that 77% of the respondent has moderate participation in budgeting process and 23% has high participation in budgeting process.

4.4 Questionnaire Indicators

The questionnaire consist of three parts, which are decentralization, budget Participation, and performance. These three parts of questions were used to measure whether there is strong or no correlation between decentralization and performance, whether there is strong or no correlation between budget participation and performance and the last is to measure whether there is strong correlation or not between decentralization and budget participation. This questionnaire is also used to measure the level decentralization in a company, level of performance and to measure level of budget participation.

Table 4.5
Questionnaire Indicators

Performance Score	Result	Decentralization score	Result	Budget participation	Result
10 – 23	Low goal commitment, low desire of feedback and motivation	10 – 23	Low level of decentralization	10 – 23	Low level of participation
24 – 36	Moderate goal commitment, moderate desire feedback, and motivation	24 – 36	Moderate level of decentralization	24 – 36	Moderate level of participation
37-50	High goal commitment, high desire of	37 – 50	High level of decentralization	37 – 50	High level of participation

	feedback, and motivation				
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Source: the survey finding

Where we can see from the questionnaire that every question has the score of :

1 = Strongly Disagree

2 = Disagree

3 = Neither Disagree or Agree

4 = Agree

5 = Strongly Agree

4.5 Validity test

In the period of survey and data collection 100, questionnaires were distributed to lower and middle level manager at PT. Bukaka Teknik Utama as respondent of this research. As the result the raw data were collected, selected, and screened to obtain qualified data. Finally these 100 data decided to become samples of this research. The data selected must meet the requirements and proceed for further evaluation. The rest of the disqualified data were discard due to some missing data and respondent's failure to answer the question.

The sample of population was then evaluated using the software tool of SPSS, to been analysing in determine the reliability, and validity of all input variables. Validity test was executed to evaluate existing variable and attributes use in this study. The variables are matched the relationship between decentralization and performance, the relationship between budget participation

and performance, and the relationship between budget participation and decentralization.

The validity ensures the ability of scale to measure the intended concept (Sekaran, 2000). Each of the variables used in the measure was tested to know whether it fits with the theories. The Variable is considered valid when the coefficient of the corrected item total correlation shows the value of 0.3 or greater. The validity test of each data input was acquired by applying the correlation matrix. The value of corrected item total correlation (r) shows the value of the significant of the correlation of the data. The data are considered valid when r -value shows 0.3 or greater. Otherwise, the item will be deleted or discarded when the r -value is less than 0.3, and it is considered not valid. Only valid data were processed for further computation.

Table 4.5
Validity Test

	Performance	Decentralization	Budget Participation
	Questions 1-10	Question 1-10	Question 1-10
Corrected item-	0.4515	0.3501	0.3899
Total correlation	0.3623	0.7881	0.3528
	0.3721	0.7491	0.4344
	0.6347	0.5996	0.6077
	0.6395	0.5457	0.7388
	0.6974	0.3787	0.4127
	0.3749	0.3640	0.4923

	0.3559	0.4105	0.4232
	0.8369	0.3648	0.3534
	0.8524	0.7074	0.3795

Source: Data analysis 2006

4.6 Reliability test

The alpha scale was used to test the reliability of the data. The reliability is shown by the value of alpha, in which the value of 0.6 above is considered reliable. When the data are reliable, they can be used for further analysis on its impact on purchase intention by using the multiple regressions. Based on Sekaran (2003) the criteria of *Cronbach's Alpha* value are if the value we get is less than 0.60 is bad, if around 0.70 is accepted, and if more than 0.80 is good. The result of reliability test will be described at table 4.6.

Table 4.6

The Reliability Test

Variable	Coefficient Alpha	Standardized item alpha	Reliability
Performance	0.8564	0.60	Good
Decentralization	0.8387	0.60	Good
Budget Participation	0.7824	0.60	Accepted

Source: Data analysis 2006

Based on the analysis results we can see that all the variables in the questionnaire such as performance, decentralization, and budget participation have *corrected item-total correlation* more than 0.3 and have reliability coefficient value *Alpha Cronbach's* more than 0.7 and 0.8, so we can conclude that all the items of questions in the questionnaire are reliable.

4.7 Research Variables Result Distribution

Based on the questionnaire result to 100 respondent, the research variable result distribution in PT. Bukaka Teknik Utama is serve in the table 4.7.

Table 4.7
Research Variables Result Distribution

Questions	Boldness	Mean	Min	Max
P 1	1. I am trying hard to reach my performance goal.	4.49	3	5
P 2	2. I am experting maximum effort in pursuit my performance.	4.58	3	5
P 3	3. I am committed to my performance goal.	4.51	2	5
P 4	4. I am determind to reach my performance goal.	4.02	2	5
P 5	5. I am enthusiastic about attempting to achieve my performance goal.	3.41	2	5
P 6	6. I am striving to attain my performance	3.14	1	5

	goal.			
P 7	7. I feel that I already done my work well.	3.76	2	5
P 8	8. I am usually have a clear idea and trying to do well in proceeding the idea to achieve my goal.	4.25	1	5
P 9	9. Other people often said that I done the great job.	3.53	1	5
P 10	10. My co-workers commenting favorably on something I have done.	3.47	2	5
D 1	1. My superior increasing my area responsibility.	3.69	2	5
D 2	2. I have authority to make decision in area of my responsibility.	3.83	2	5
D 3	3. My superior delegate important project or task to my department that significantly impact overall success.	4.08	2	5
D 4	4. I have significant autonomy in determining how I do my job.	3.53	2	5
D 5	5. I can see how my job contribute to my organization's corporate vision.	3.77	2	5
D 6	6. I have favorable superior-subordinates relationship.	4.39	2	5
D 7	7. I can make decision to solve the problem that related to my department	4.27	2	5

	responsibility.			
D 8	8. I am comfortable voicing my disagree to my superior's opinion.	4.35	2	5
D 9	9. I have a chance to participate in decision making process.	3.43	1	5
D 10	10. My company designed so that every managers have a chance to participate in decision making.	3.93	2	5
BP 1	1. I have responsibility to authorized the amount of budget that can be use in my department.	4.08	2	5
BP 2	2. Budget setting is based on the information prepare by budgetee but with the guidelines from higher level manager.	3.77	2	5
BP 3	3. I have responsibility to give information about the result of their expectation.	4.06	2	5
BP 4	4. I am accept the budget setting.	3.31	2	5
BP 5	5. I am satisfied enough with the budget setting.	3.14	2	5
BP 6	6. I am felt involve and real involve in budgeting process.	4.05	2	5
BP 7	7. My opinion has significant influence to higher level manager in budgeting	4.01	2	5

	process.			
BP 8	8. My superior permits the subordinates to take part in setting the amount of budget.	2.83	1	5
BP 9	9. I have a chance to participate in setting the budget amount for my own department.	4.05	2	5
BP 10	10. I am comfortable to voice my disagreement with the budget setting by higher level manager.	3.85	1	5

Source: Data Analysis 2006

Note:

P : Performance

D : Decentralization

BP: Budget Participation.

Based on the result we can see the min score for performance variable is 1 and the highest is 5. In Decentralization variable we can see that the lowest score is 1 and the highest is 5. The last is Budget participation result, from the table we can see the lowest score for 1 and the highest score is 5.

Based on table 4.7 we can see that the highest mean for performance is in the question no.2 with mean 4.58 which is I am expecting maximum effort in pursuit my performance. This means that the employee already feel that they have maximum effort to achieve high performance in average. And the lowest mean is in the question no.6

4.8 Data Normality Test

Test of goodness of fit can be done to found from what kind of population distribution of the sample took, is the uniform distribution, Poisson distribution or normal distribution (Gujarati, 1995). For normal distribution, this test can be called normality testing. Normality test can be done to generalize data.

The normality testing in this research use graphic method, and Kolmogorov-Smirnov statistical test. Kolmogorov-Smirnov used because the data that used is ordinal data.

This one is the result of normality test by using Kolmogorov-Smirnov. This testing done by the hypotheses as follow:

$H_0 : F(x) = F_0(x)$, with $F(x)$ is the population distribution function that represent by sample, $F_0(x)$ is abnormal distribution function.

$H_1 : F(x) \neq F_0(x)$ or normal distribution.

The test is done by using two sides' criteria to take a decision as follow: if the probability < 0.05 , H_0 rejected, and if the probability > 0.05 , H_0 accepted.

Table 4.8
Result of Kolmogorov-Smirnov Test

	E		
	D	BP	P
N	100	100	100
Kolmogorov-Smirnov	1.264	1.296	1.250
Asymp. Sig (2-tailed)	0.082	0.070	0.088

Source: *Data Analysis 2006*

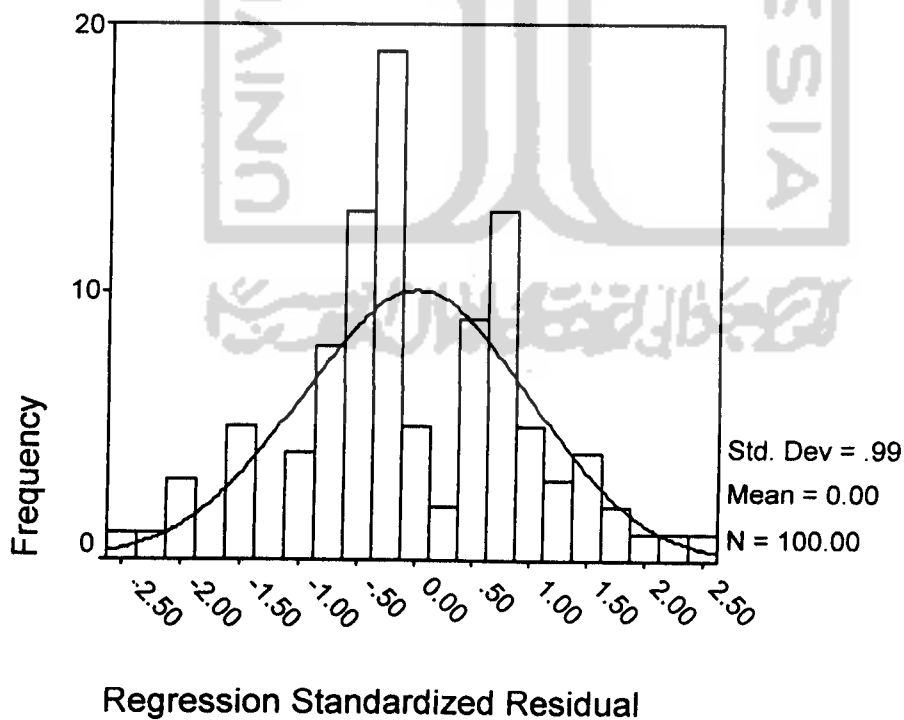
Note: D = decentralization, BP = Budget participation, P = Performance

Based on the result from table 4.8.1, we can see the Kolmogorov-Smirnov value is Decentralization = 1.264, budget participation = 1.296, performance = 1.250, at significant level of decentralization = 0.082, budget participation = 0.070, and performance 0.088, where the significant > 5%. This means that H_0 is rejected which means the residual data distribution normal. Following is the normality test by using the graph method. Based on the test by using SPSS we can get the histogram as follow:

Charts

Histogram

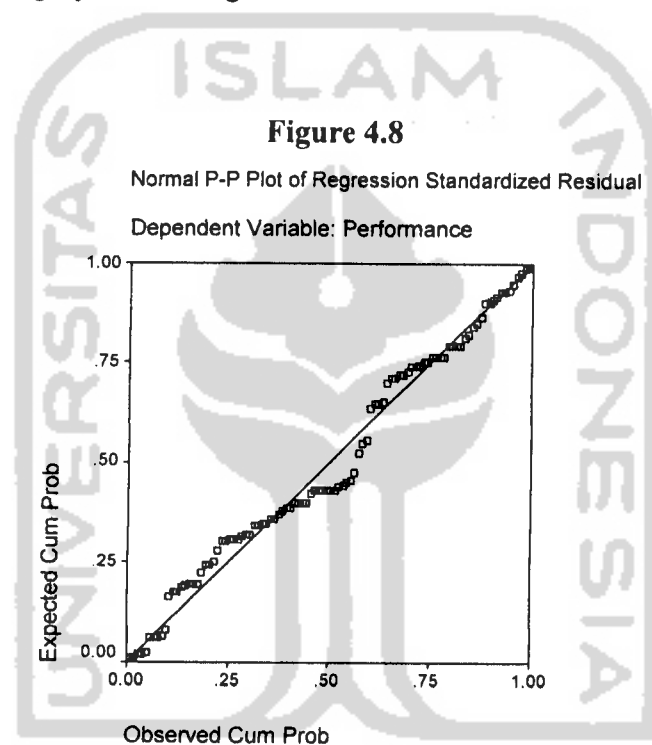
Dependent Variable: Performance



Source: Data analysis 2006

Histogram graph above showed the distribution pattern that closed to normal, so we can conclude that regression model is qualified for normality assumption.

Beside seeing the histogram graph, we can get the normality assumption from normal plot graph, that we get fro the test as follow:



Source: Data Analysis 2006

Based on the normal plot graph above, we can see the dots spread in around the diagonal line, the spread is follow the diagonal line direction, so we can conclude that the regression model is qualified the normality assumption.

4.9 Hypotheses Testing

The hypothesis testing will be done by using quantitative analysis. Quantitative analysis is analysis that use statistic test tool. In this research the analysis technique uses multiple regression and single regression. The purpose of the multiple regression analysis is to find out the influence of independent variables which is decentralization and participation to dependent variable which is performance. The single regression analysis is use to find out the influence of decentralization to budget participation.

4.10 Regression analysis of Decentralization, Budget participation and Performance.

The regression analysis was used to measure the relationship of decentralization and performance, the relationship of budget participation and performance and decentralization to performance. The impact of variable will be evaluated by using both of single linear regression and multiple linear regression analysis. The single regression was applied to analyse the individual effect of each variable, where as the multiple regression is applied to analyse the effect of all variable.

4.10.1 Multiple Regression Analysis

The Multiple Regression Analysis result for Decentralization and Budget Participation to Performance, are served in the following tables:

Table 4.10.1**F-test Result**

Independent Variables	R	R²	Adjusted R²	F	Sig
Decentralization	0.592	0.350	0.336	26.101	0.000
Budget Participation					

Source: Data Analysis 2006

The Result that used is the coefficient value determination adjusted (*Adjusted R²*). We choose *adjusted R²* because the independent variables are two or more than two, so it will be better if we use *Adjusted R²*. The value of *Adjusted R²* can be increase or decrease if one independent variable include in model.

The SPSS program showed the analysis result of determination coefficient (adjusted R²) is 0.336. This showed that the performance variable can be explained by decentralization and budget participation in amount of 33.6%.

Based on F-test we can get Computed F-value as amount 26.101 with probability level 0.000. Because of the probability level is smaller than 0.05, so we can conclude that decentralization and budget participation have significant relationship to performance.

4.10.2 Single Regression

The single regresion result for the impact of Decentralization to budget participation is serve in the following table:

Table 4.10.2

Single regression

Independent Variable	R	R ²	Adjusted R ²	F	Sig
Decentralization	0.308	0.095	0.085	10.253	0.002

Source: Data analysis 2006

In this single regression we use R square which is coefficient determination that means 9.5% budget participation can be explained by decentralization variable, than the rest of 80.5% can be explained by others factors. Because R square is far from 1 means that the relationship between decentralization and budget participation is weak.

Based on the F-test we can get Computed F-value in significant level of 0.002, because the Computed F-value probability is less than 0.05 means that decentralization has significant level to budget participation.

4.10.3. The Relationship Between Decentralization and Performance at PT.Bukaka Teknik Utama

To find the influence of each independent variables to dependent variable we can do individual parameter significant test or T test. If *Computed t value* > *critical t value* with probability < 0.05 so the significant regression coefficient or with the other words there significant influence between decentralization to performance

The first hypothesis in this research suggest that decentralization (X) has significant influence to performance (Y). The hypothesis formulation is:

$H_0 : b_2 = 0$, Decentralization (X) did not has significant influence to Performance (Y)

$H_a : b_1 \neq 0$, Decentralization (X) has significant influence to performance (Y)

Based on T-test, we can found the result that will be serve in the table 4.10.3 below.

Table 4.10.3

T-test Result

Model	Unstandardized Coefficient Beta	Standardized Coefficient Beta	t	sig
Decentralization	0.461	0.457	5.317	0.000
Budget participation	0.382	0.260	3.018	0.003

Source: Data analysis 2006

To interpret the T test we used *Standardized Coefficients*. The benefitts of using standardaized beta is it able to eliminate the difference of free size unit.

Based on table 4.10.3 above, we can found β coefficient in the decentralization variable is 0.457 with significant probability 0.000. That value showed that decentralization variable has significant influence to performance.

The significant influence between decentralization to performance can be seen from T-test. Where if *Computed t value* > *critical t value* so the H_0 rejected. Based on table 4.10.3 the amount of *Computed t value* hitung is 5.317 with the significant probability 0.000; while the t_{tabel} with $\alpha 5\% =$

2.000. Based on the data we conclude that *Computed t value* > *critical t value* and with significant level less than 0.05, so H_0 rejected.

The previous research showed that the decentralization has significant influence to performance. This can happen because of the decentralization policy in a company will give psychological factors such as motivation, and the other factors such as level of decentralization, and leadership style. According to Kreitner and Kinicki (2004) motivation is the psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed. Obviously, people who do not persist at meeting their goals can't be said to be highly motivated. Motivation and performance are not synonymous; motivation is just one of several possible determinants of job performance.

Decentralization will give impact to employees motivation, because by high distribution power, the employee will feel that they have authorities, and this is good to motivating them to be more responsible about their responsibility to the company, decentralization will create high motivation for employee to do the best for company, and motivation is one from several determinant of performance.

According to Gordon and Narayanan (1984) instrument can be used to asses the level of decentralization of organizations structure in organization. This is an important tool that will give authority to appropriate manager in such department for classes decision, such as: firing, hiring, distribution of product or services, etc.

Because the authority that delegated to them by company will the managers that they are important for the company. And because they feel important, it will create the managers to be better and better in doing their job, and if they are doing better, the level of their performance will increase.

Leadership style also important tool for decentralization, because based on Greenberg and Baron (2003) if the leader has autocratic leadership style, he will make all decision unilaterally but if the leader has participative leadership style or charismatic leadership style, the leader permits subordinates to take part in decision making and also gives them a considerable degree of autonomy in completing routine work activities.

O'Connor (1995), found that congruence between manager's value orientation for power distance and their orientation in budget setting and their performance evaluation process, leads to lower ambiguity and more favorable superior subordinates relationship.

4.10.4 The Relationship Between Budget Participation and Performance at PT. Bukaka Teknik Utama

The second hypothesis in this research expected that budget participation (X) has significant influence to performance (Y). The hypothesis formulation is:

$H_0 : b_2 = 0$, Budget participation (X) did not has significant influence to Performance (Y)

$H_a : b_1 \neq 0$, Budget Participation (X) has significant influence to performance (Y)

Based on T-test, we can found the result that will be serve in the table 4.10.3 above. According to table 4.10.3 above, we can found β coefficient in the budget participation variable is 0.260 with significant probability 0.003. That value showed that budget participation variable has significant influence to performance.

The significant influence between decentralization to performance can be seen from T-test. Where if *computed t value* > *critical t value* so the H_0 rejected. Based on table 4.10.3 the amount of *computed t value* is 3.018 with the significant probability 0.000; while the *critical t value* with $\alpha 5\% = 2.000$. Based on the data we conclude that *computed t value* > *critical t value* and with significant level less than 0.05, so H_0 rejected.

The previous result of this research showed that budget participation has significant influence to performance. This might be happened because of several factors that such job satisfaction, attitude, and environment factors.

Greenberg and Baron (2003) define attitude as relatively cluster feelings, beliefs, and behavioral intentions toward specific objects, people, or institutions. Other interpretation about attitude is determine individual behavior. Every employee will react to budget participation not in the same manner. Participation in the budget participation will be most effective for employee who have more positive attitude.

Festingers' (1957) theory of cognitive dissonance can be used to support these argument, employee with a more positive attitudes will tend to develop cognitive dissonance when their performance does not meet the

expectation level, this cognitive dissonance create strong intent to improve performance.

According to Milani (1975) define that job satisfaction has positive relationship to participation in budgeting process. Because, it will give motivation to emplyees to have positive attitude toward their job.

Porter (1980), Drucher (1995), Hane and Prached (1994, 1995) and other researchers stated that the extreme company environment condition will affect the management in doing company operation. Galbraith (1973) argue that in environmental situation that always changing, we need relevant information. Miken (1987) stated that tke environmental changed most related with the environmental uncertainty. Kren (1992) use environmental volality to testing relationship between participation and performance.

4.10.5 The Relationship Between Decentralization and Budget Participation at PT. Bukaka Teknik Utama

To found the influence of each independent variable to dependent variable we can do individual parameter significant test or T test. If *Computed t value* > *critical t value* with probability < 0.05 so the significant regression coefficient or with the other words there significant influence between decentralization to Budget participation. In this section we use single regression.

The third hypothesis in this research suggest that decentralization (X) has significant influence to budget participation (Y). The hypothesis formulation is:

$H_0 : b_2 = 0$, Decentralization (X) did not has significant influence to budget participation (Y)

$H_a : b_1 \neq 0$, Decentralization (X) has significant influence to budget participation (Y)

Based on T-test, we can found the result that will be served in the table 4.10.5 below.

Table 4.10.5
T-test Result

Model	Unstandardized Coefficients Beta	Standardized Coefficient Beta	t	Sig
Budget participation	0.211	0.308	3.202	0.002

Source: Data analysis 2006

Based on T-test, we can find the result of the table 4.10.5 above. According to table 4.10.5 above, we can found β coefficient in the budget participation variable is 0.308 with significant probability 0.002. That value showed that decentralization variable has significant influence to budget participation.

The significant influence between decentralization to performance can be seen from T-test. Where if $t \text{ value} > \text{critical } t \text{ value}$ so the H_0 rejected. Based on table 4.10.5 the amount of *computed t value* is 3.202 with the

significant probability 0.002; while the *critical t value* with α 5% =2.000. Based on the data we conclude that *computed t value* > *critical t value* and with significant level less than 0.05, so H_0 rejected.

The previous result of this research showed that decentralization has significant influence to budget participation. This might be happened because of Participation on budgeting process is significant tool to be consider as a factor that has influence to the effectiveness organization (Indriantoro, 1995), this study expands the budget participation by examining the joint impact of decentralization. Decentralization give a lot of impact especially in high decentralized firm, because actually “top down” budget process less effective to reach the objectivity to than “bottom up”, because in usually in “top down” system we will find difficulties because lack of commitment on the part of budge tees and because in the fact that top manager has given up day to day operation to divisional manager, and usually annual divisional budget set by top manager will not logic for divisional manager. To make the budget more realistic and more acceptable to divisional managers, they should be incorporated important information about the situation and conditions of divisions from divisional managers.

According to Gordon and Narayanan 1984, and budgetary participation refers to the extent to which managers are involved with, and have influence on, and determination of their budget. These management control tools are important for two reason, first, decentralization and budget participation are two common management control tools that

adopted by an organization for motivating and assisting in their work performance. Second, previous study indicate that not all managers are comfortable with the same level of decentralized structure and budgetary participation.

4.11 Discussion

4.11.1 The Relationship Between Decentralization and Performance at PT. Bukaka Teknik Utama

From the result we can see that decentralization has significant influence to performance and has strong correlation between decentralization and performance. Organizational structure may indicates the distribution of power in an organization.

Actually, in organization characterized with high degree of decentralization, top management have intentionally given up control on day-to-day operation, this condition may cause top manager will loose some important information about the insight of the divisions, that will limit their knowledge about the amount of needed to support the division's operations, and this will cause divisional manager performance negatively.

Based on the answer from the respondent we can see that level of decentralization at PT. Bukaka Teknik Utama is from moderate to high level of decentralization. 50 % of respondent's answer showed moderate level of decentralization and 50% of respondent's answer showed high level of decentralization. This means that level of decentralization or power distribution in this company is good enough.

4.11.2 The Relationship Between Budget Participation and Performance at PT. Bukaka Teknik Utama

Based on the valuation we see that budget participation has significant influence to performance. This is because when middle and lower level managers include in budgeting process, the budget that set up by a company for each department will be more acceptable by middle and lower level manager because they involved in the process.

When the budget set up is approve by the employee, employee will have more satisfaction in doing their job, and if they have high job satisfaction by compiling budget in participative way we hope that manager performance will increase. This is based on the theory that when the standard that designed by participative agreed, workers will internalization the standard and will have personal responsibility because they felt involved in designed the standard (Milani 1975).

This can be happen because of company situation at that time especially in organizational structure. From the result we can see that 23% of employees have high level participation in budgeting process and the rest have moderate level participation in budgeting process.

4.11.3 The Relationship Between Decentralization and Budget Participation at PT. Bukaka Teknik Utama

Based on the regression analysis we can conclude that eventhough there is significant influence between decentralization and budget participation but the relationship between decentralization is weak.

This could may happened reminding the situation and condition of the company at that time. May be it is true that company has high decentralization level, but not all employee or middle and lower level managers have opportunity to participate in budgeting process, this can be happen related to the authority of their managers and company policy that implemented at that time.

According to valuation we can see that decentralization has significant influence to budget participation. This can be happened becuae of Participation on budgeting process is significant tool to be consider as a factor that has influence to the effectiveness organization.

This study expands the budget participation by examining the joint impact of decentralization. Decentralization gives a lot of impact especially in high decentralized firm. In high decentralized firm the budget setting will be easier to accept, because the budget setting involve the middle and lower level manager to set the budget that will be use by their department. Budget Participation is most effective in high decentralized firm.

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The result which is taken from to the respondent especially the middle and lower level managers at PT. Bukaka Teknik Utama has answered the purpose of this research. This research is purposing to see the influence of decentralization variable and budget participation variable to performance variable and to see the influence of decentralization to budget participation. Based on the multiple regression we can find the results; as follow:

- First, decentralization variable has significant influence to performance, this statement matches with O'Connor's (1995). He found congruence between manager's value orientation for power distance and their orientation in budget setting as well as their performance evaluation process. It leads to lower ambiguity and more favorable superior subordinates relationship.
- Second, budget participation has significant influence to performance, this statement matches with Brownell's (1982) who mentioned the reason why participation has relationship with performance, the reasons are (1) generally participation assessed as one of managerial approach that can increase performance of organization's member, (2) many research which test relationship between participation and performance have different result.

- Third is decentralization has significant influence to budget participation, eventhough decentralization has significant influence to budget participation, but the relationship between them is weak. this statement match with Gordon and Narayanan 1984, and budgetary participation refers to the extent to which managers are involved with, and have influence on, and determination of their budget. These management control tools are important because decentralization and budget participation are two common management control tools that adopted by an organization for motivating and assisting in their work performance.

5.2 Recommendation

5.2.1 Recommendation For the Company

Based on the conclusion that has been mentioned above we can see that employee, especially middle and lower level managers prefer to work and have good performance in the company that has high decentralization, and involve them in setting the budget or participating them in budgeting process.

Because of those reasons mentioned in chapter 4, *first*, the researcher suggest the company would be more effective if it increase their decentralization level and give responsibility to lower and level manager to make decision in their scope working department. The company would also get the benefit, because the employee will work with the best performance for the company and therefore increase the level of budget participation in the company.

Second, in this research, the researcher suggest the company increase the level of budget participation, because by involving and participating in budgeting process, the employee (middle and lower level manager) will have more job satisfaction and will have more positive attitude about their job. Job satisfaction and positive are psychological factors that influence the employee performance.

5.2.2 Limitation of this Research and Recommendation For The Next Research

Actually this research has limitation and weaknesses. *First*, this research does not has intervening variables such as attitude, motivation, job satisfaction and environmental factors. It research is a very simple, researches among two independent variable and one dependent variable which are decentralization, budget participation and performance.

For the next research, the researcher hope that the research will include intervening variables to give clear explanation about the relationship between decentralization to budget participation and budget participation to performance. Hence those interference variables have close relationship with decentralization, budget participation and performance.

The second, is that the sample researcher used in this research is too general. The researcher hope that the next research could include the data such as age, tenure, and how long this lower and middle level manager in their position. This has purpose is to give clear characteristic for the research.

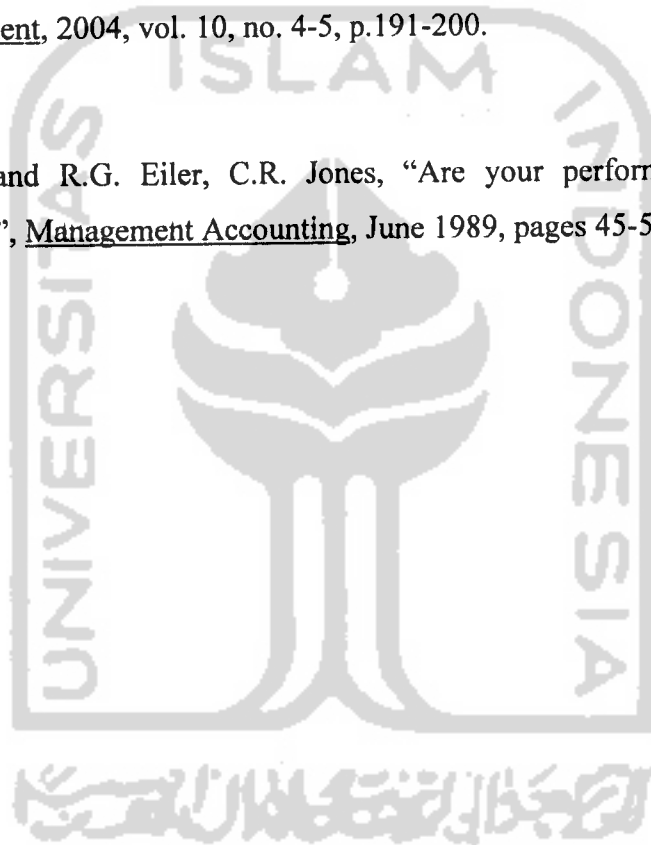
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ISLAM
APPENDIX 1

RESEARCH QUESTIONNAIRE



QUESTIONER

1. This questions are use to measure managerial performance

Answer the question related to performance, answer the questions you think the best by choosing:

1 = Strongly Disagree

2 = Disagree

3 = Neither agree nor disagree

4 = Agree

5 = Strongly agree

The questions are:

1. I am trying hard to reach my performance goal.	1	2	3	4	5
2. I am experting maximum effort in pursuit my performance.	1	2	3	4	5
3. I am committed to my performance goal.	1	2	3	4	5
4. I am determined to reach my performance goal.	1	2	3	4	5
5. I am enthusiastic about attempting to achieve my performance goal.	1	2	3	4	5
6. I am striving to attain my performance goal.	1	2	3	4	5
7. I feel that I already done my work well.	1	2	3	4	5
8. I am usually have a clear idea and trying to do well in proceeding the idea to achieve my goal.	1	2	3	4	5
9. Other people often said that I done the great job.	1	2	3	4	5

10. My co-workers commenting favorably on something I have done.	1	2	3	4	5
--	---	---	---	---	---

2. This questions are use to measure decentralization in a company

Answer the question related to performance, answer the questions you think the best by choosing:

1 = Strongly Disagree

2 = Disagree

3 = Neither agree nor disagree

4 = Agree

5 = Strongly agree

The questions are:

1. My superior increasing my area responsibility.	1	2	3	4	5
2. I have authority to make decision in area of my responsibility.	1	2	3	4	5
3. My superior delegate important project or task to my department that significantly impact overall success.	1	2	3	4	5
4. I have significant autonomy in determining how I do my job.	1	2	3	4	5
5. I can see how my job contribute to my organization's corporate vision.	1	2	3	4	5
6. I have favorable superior-subordinates relationship.	1	2	3	4	5
7. I can make decision to solve the problem that	1	2	3	4	5

related to my department responsibility.					
8. I am comfortable voicing my disagree to my superior's opinion.	1	2	3	4	5
9. I have a chance to participate in decision making process.	1	2	3	4	5
10. My company designed so that every managers have a chance to participate in decision making.	1	2	3	4	5

3. This questions are use to measure participation in budgeting process

Answer the question related to performance, answer the questions you think the best by choosing:

1 = Strongly Disagree

2 = Disagree

3 = Neither agree nor disagree

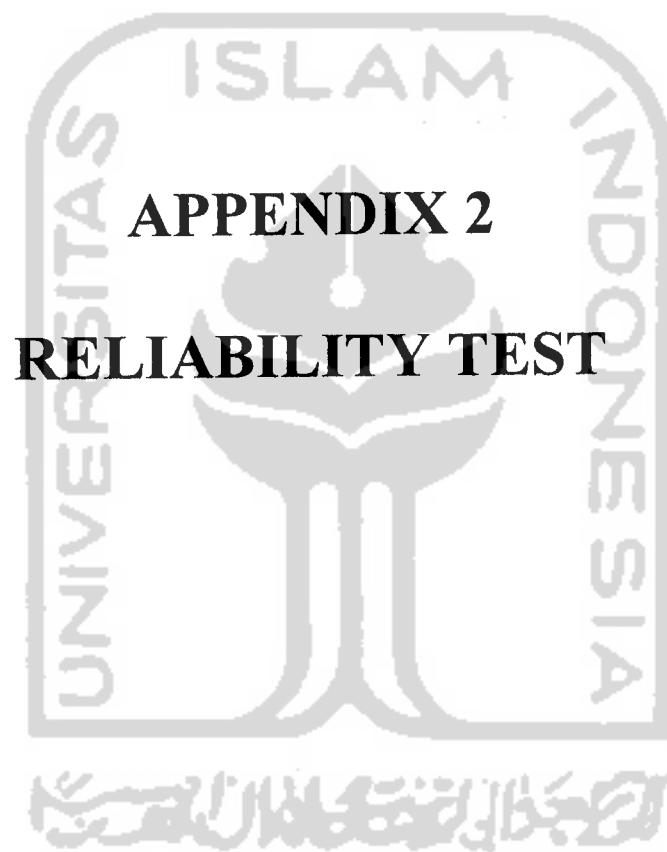
4 = Agree

5 = Strongly agree

The questions are:

1. I have responsibility to authorized the amount of budget that can be use in my department.	1	2	3	4	5
2. Budget setting is based on the information prepare by budgettee but with the guidelines from higher level manager.	1	2	3	4	5
3. I have responsibility to give information about the result of their expectation.	1	2	3	4	5

4. I am accept the budget setting.	1	2	3	4	5
5. I am satisfied enough with the budget setting.	1	2	3	4	5
6. I am felt involve and real involve in budgeting process.	1	2	3	4	5
7. My opinion has significant influence to higher level manager in budgeting process.	1	2	3	4	5
8. My superior permits the subordinates to take part in setting the amount f budget.	1	2	3	4	5
9. I have a chance to participate in setting the budget amount for my own department.	1	2	3	4	5
10. I am comfortable to voice my disagreement with the budget setting by higher level manager.	1	2	3	4	5



APPENDIX 2
RELIABILITY TEST

Reliability

RELIABILITY ANALYSIS - SCALE (ALPHA)

		Mean	Std Dev	Cases
1.	PER1	4.3667	.5561	30.0
2.	PER2	4.6000	.5632	30.0
3.	PER3	4.5333	.6814	30.0
4.	PER4	3.1667	1.1167	30.0
5.	PER5	2.8667	1.1366	30.0
6.	PER6	2.9333	1.2015	30.0
7.	PER7	3.9333	.9444	30.0
8.	PER8	3.9667	.7649	30.0
9.	PER9	2.9333	1.1121	30.0
10.	PER10	3.0667	1.0483	30.0

Correlation Matrix

	PER1	PER2	PER3	PER4
PER5				
PER1	1.0000			
PER2	.4844	1.0000		
PER3	.4671	.4851	1.0000	
PER4	.7311	.3289	.2870	1.0000
PER5	.0800	.0215	.0505	.4799
PER6	.0895	.1121	.0870	.4197
PER7	-.0175	.0130	.4858	.0109
PER8	.3540	.5283	.3661	.1682
PER9	.3755	.3964	.2305	.6479
PER10	.4890	.3387	.2381	.7560
PER6				
PER7				
PER8				
PER9				
PER10				
PER6	1.0000			
PER7	.5125	1.0000		
PER8	.1476	.3310	1.0000	
PER9	.6675	.3896	.5648	1.0000
PER10	.7155	.3181	.2179	.7730

N of Cases = 30.0

RELIABILITY ANALYSIS - SCALE (ALPHA
A)

Item-total Statistics

	Scale Mean	Scale Variance	Corrected Item- Total Correlation	Squared Multiple Correlation
Alpha				
if Item Deleted				
PER1	32.0000	35.3793	.4692	.7599
.8523				
PER2	31.7667	35.8402	.3906	.5881
.8560				
PER3	31.8333	35.2471	.3807	.6655
.8562				
PER4	33.2000	29.7517	.6397	.8509
.8361				
PER5	33.5000	30.0517	.5977	.8397
.8407				
PER6	33.4333	28.5299	.6870	.7935
.8315				
PER7	32.4333	33.3575	.4164	.7234
.8554				
PER8	32.4000	34.9379	.3615	.7328
.8577				
PER9	33.4333	27.9092	.8209	.8536
.8167				
PER10	33.3000	28.2172	.8509	.8555
.8145				

Reliability Coefficients 10 items

Alpha = .8566

Standardized item alpha = .8530

Reliability

RELIABILITY ANALYSIS - SCALE (ALPHA)

		Mean	Std Dev	Cases
1.	DEC1	4.0667	.6915	30.0
2.	DEC2	3.0000	1.2034	30.0
3.	DEC3	3.4333	1.2507	30.0
4.	DEC4	3.0333	1.0981	30.0
5.	DEC5	3.3000	1.1788	30.0
6.	DEC6	4.3667	.8087	30.0
7.	DEC7	3.9000	.9595	30.0
8.	DEC8	4.1333	.6288	30.0
9.	DEC9	4.0000	.6433	30.0
10.	DEC10	3.0333	1.1290	30.0

Correlation Matrix

	DEC1	DEC2	DEC3	DEC4	DEC5	DEC6	DEC7	DEC8	DEC9
DEC1	1.0000								
DEC2	.5801	1.0000							
DEC3	.0851	.7102	1.0000						
DEC4	-.0484	.5741	.7675	1.0000					
DEC5	-.1100	.5347	.8443	.8445	1.0000				
DEC6	.3864	.3897	.2125	.1799	.0977	1.0000			
DEC7	.5301	.3882	.0374	.1342	.0945	.0945	1.0000		
DEC8	.4547	.2734	.2748	.0932	.1303	.1303	.0932	1.0000	
DEC9	.7752	.4454	.1286	-.1465	.1819	.1819	.0932	.1465	1.0000
DEC10	.1296	.6598	.7708	.6388	.7436	.7436	.6388	.6388	.6388
DEC6		1.0000							
DEC7		.4933	1.0000						
DEC8		.0362	.4801	1.0000					
DEC9		.3314	.5587	.5967	1.0000				
DEC10		.2883	.1623	.2364	.1424	1.0000			

N of Cases = 30.0

R E L I A B I L I T Y A N A L Y S I S - S C A L E (A L P H A)

Item-total Statistics

	Scale Mean	Scale Variance	Corrected Item- Total Correlation	Squared Multiple Correlation
Alpha if Item Deleted	if Item Deleted	if Item Deleted		
DEC1 .8463	32.2000	37.4069	.3881	.7971
DEC2 .8035	33.2667	29.0299	.8243	.8529
DEC3 .8118	32.8333	29.3851	.7536	.8816
DEC4 .8259	33.2333	32.1161	.6304	.8158
DEC5 .8303	32.9667	31.8954	.5920	.8803
DEC6 .8464	31.9000	36.7138	.3877	.4636
DEC7 .8500	32.3667	36.1023	.3595	.6991
DEC8 .8466	32.1333	37.7747	.3878	.6585
DEC9 .8482	32.2667	37.9264	.3569	.7822
DEC10 .8150	33.2333	30.7368	.7314	.6955

Reliability Coefficients 10 items

Alpha = .8481 Standardized item alpha = .8409

Reliability

RELIABILITY ANALYSIS - SCALE (ALPHA)

		Mean	Std Dev	Cases
1.	BP1	4.1667	.5921	30.0
2.	BP2	4.3333	.8841	30.0
3.	BP3	4.2667	.6915	30.0
4.	BP4	3.3000	1.1188	30.0
5.	BP5	3.1000	1.2415	30.0
6.	BP6	4.1333	.5713	30.0
7.	BP7	4.0333	.8087	30.0
8.	BP8	3.0333	1.0981	30.0
9.	BP9	4.0667	.7397	30.0
10.	BP10	4.4333	.7279	30.0

Correlation Matrix

	BP1	BP2	BP3	BP4
BP5				
BP1	1.0000			
BP2	.6148	1.0000		
BP3	.3088	.1880	1.0000	
BP4	.0781	.1743	.4279	1.0000
BP5	.2111	.3770	.1687	.6728
BP6	.2378	.3186	-.0058	.3129
BP7	.4921	.6591	.1069	.2553
BP8	.0972	-.0118	.0333	.5529
BP9	-.0262	.3340	.3685	.3500
BP10	.3067	.4644	.5846	.3853
	BP6	BP7	BP8	BP9
BP6	1.0000			
BP7	.3632	1.0000		
BP8	.3225	.1152	1.0000	
BP9	.1414	.1691	-.0453	1.0000
BP10	.1050	.1503	.0676	.4568

N of Cases = 30.0

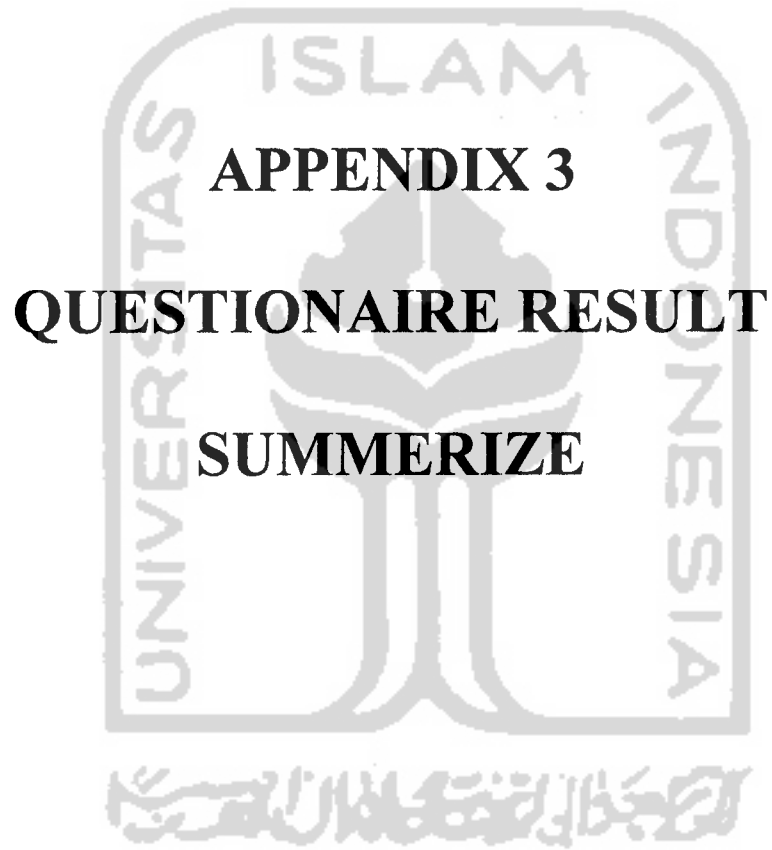
RELIABILITY ANALYSIS - SCALE (ALPHA)

Item-total Statistics :

	Scale Mean	Scale Variance	Corrected Item- Total Correlation	Squared Multiple Correlation
Alpha				
if Item Deleted				
BP1	34.7000	24.4931	.3942	.5662
.7890				
BP2	34.5333	22.0506	.5205	.7048
.7737				
BP3	34.6000	24.1103	.3778	.5386
.7896				
BP4	35.5667	19.4954	.6485	.6678
.7548				
BP5	35.7667	18.2540	.6936	.7443
.7475				
BP6	34.7333	24.6161	.3901	.3209
.7895				
BP7	34.8333	22.4195	.5328	.6632
.7731				
BP8	35.8333	22.2126	.3609	.5790
.7978				
BP9	34.8000	23.9586	.3657	.4334
.7907				
BP10	34.4333	23.2885	.4748	.5518
.7802				

Reliability Coefficients 10 items

Alpha = .7974 Standardized item alpha = .7994



APPENDIX 3
QUESTIONNAIRE RESULT
SUMMERIZE

	X1 Decentralization	X2 Budget Participation	Y Performance
1	43	42	43
2	30	33	30
3	30	35	30
4	33	33	34
5	30	33	30
6	30	33	31
7	30	38	31
8	31	34	31
9	33	33	33
10	30	32	32
11	47	45	35
12	43	45	34
13	42	48	43
14	42	43	36
15	41	47	43
16	44	46	43
17	35	48	43
18	43	41	43
19	40	39	33
20	44	47	48
21	40	40	40
22	33	33	41
23	30	36	30
24	30	36	30
25	30	36	32
26	31	39	32
27	30	39	32
28	31	39	32
29	48	37	48
30	44	36	48
31	46	37	44
32	46	37	44
33	45	37	45
34	45	37	45
35	43	37	45
36	46	37	45
37	46	37	45
38	46	39	46
39	40	37	46
40	46	40	46
41	46	40	46
42	46	38	46
43	46	38	46
44	45	38	46
45	46	38	46
46	41	37	46
47	46	38	46
48	45	38	46
49	45	38	46
50	41	37	46
51	41	42	47
52	40	29	34
53	46	35	32
54	35	40	38
55	34	39	38

56	46	36	32
57	40	30	34
58	46	44	33
59	32	38	40
60	34	31	32
61	35	35	34
62	46	35	34
63	46	35	34
64	46	35	34
65	36	34	34
66	36	36	35
67	36	36	35
68	46	36	41
69	44	34	42
70	37	34	35
71	46	37	41
72	37	34	35
73	30	40	39
74	33	28	42
75	37	40	47
76	35	39	41
77	38	41	47
78	46	36	41
79	35	37	44
80	31	34	43
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85	41	36	39
86	31	38	40
87	46	43	47
88	35	38	48
89	34	36	48
90	38	34	36
91	39	33	36
92	31	34	30
93	39	34	36
94	41	39	36
95	39	34	36
96	39	35	37
97	39	34	37
98	39	34	37
99	39	34	37
100	39	34	37
Total	N	100	100



APPENDIX 4
REGRESSION

Regression

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	X1 Decentralization	.	Enter

a. All requested variables entered.

b. Dependent Variable: X2 Budget Participation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.308 ^a	.095	.085	3.785

a. Predictors: (Constant), X1 Decentralization

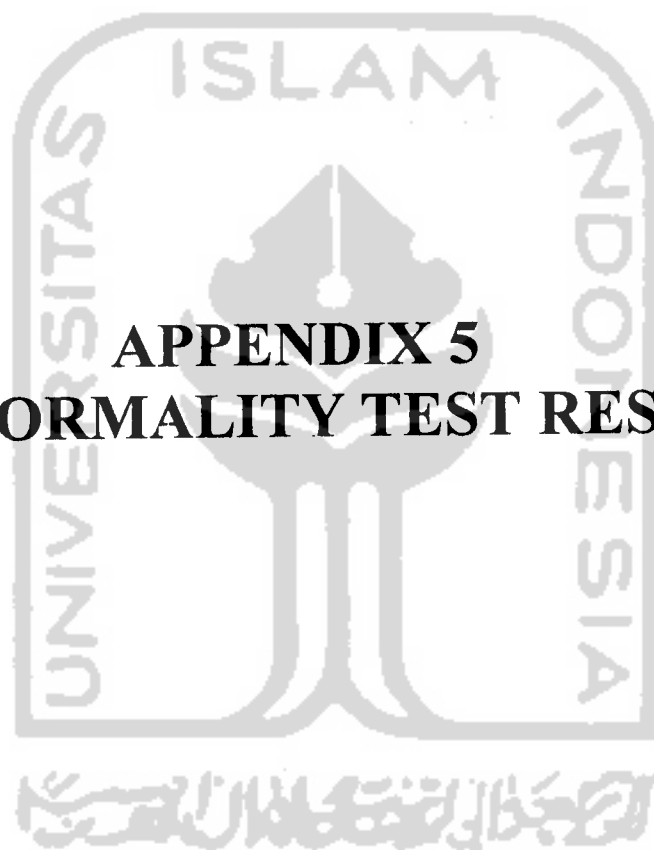
ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	146.874	1	146.874	10.253	.002 ^a
	Residual	1403.876	98	14.325		
	Total	1550.750	99			

a. Predictors: (Constant), X1 Decentralization

b. Dependent Variable: X2 Budget Participation

APPENDIX 5
THE NORMALITY TEST RESULT



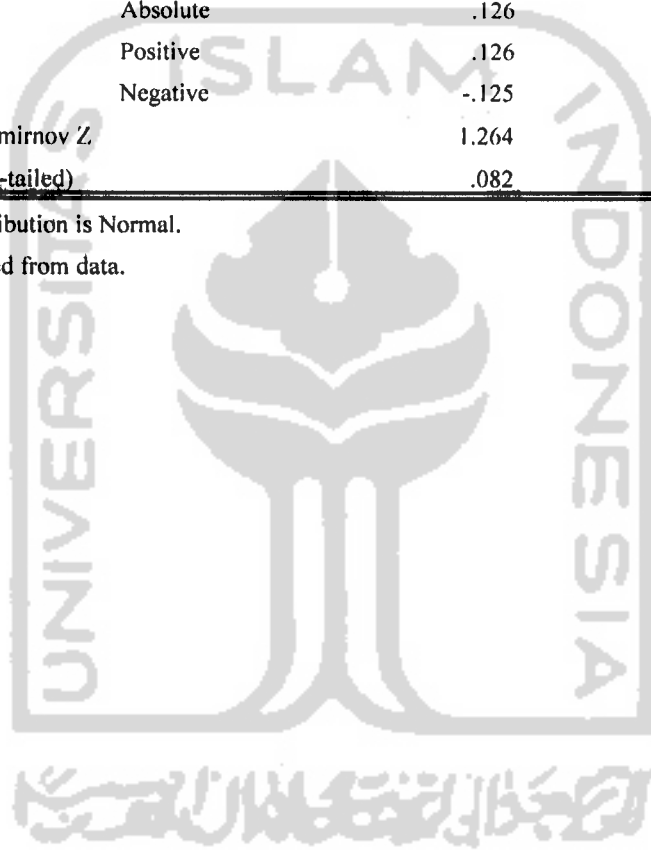
NPar Tests

One-Sample Kolmogorov-Smirnov Test

		Y Performance	X1 Decentralization	X2 Budget Participation
N		100	100	100
Normal Parameters ^{a,b}	Mean	39.16	39.27	37.15
	Std. Deviation	5.822	5.771	3.958
Most Extreme Differences	Absolute	.126	.130	.125
	Positive	.126	.102	.125
	Negative	-.125	-.130	-.087
Kolmogorov-Smirnov Z		1.264	1.296	1.250
Asymp. Sig. (2-tailed)		.082	.070	.088

a. Test distribution is Normal.

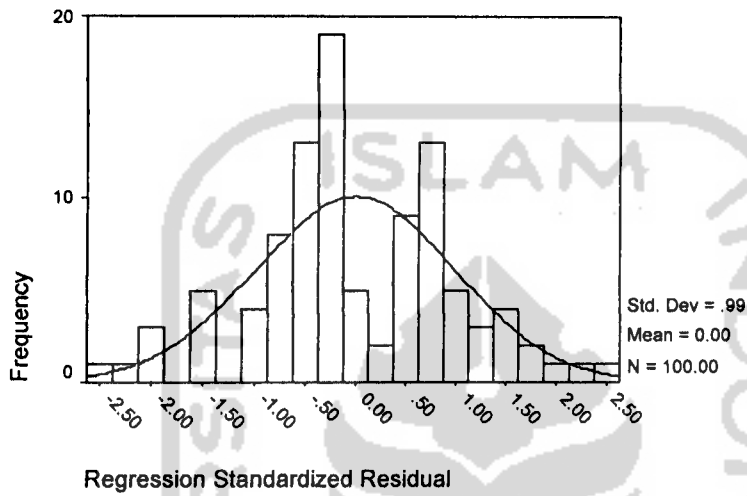
b. Calculated from data.



Charts

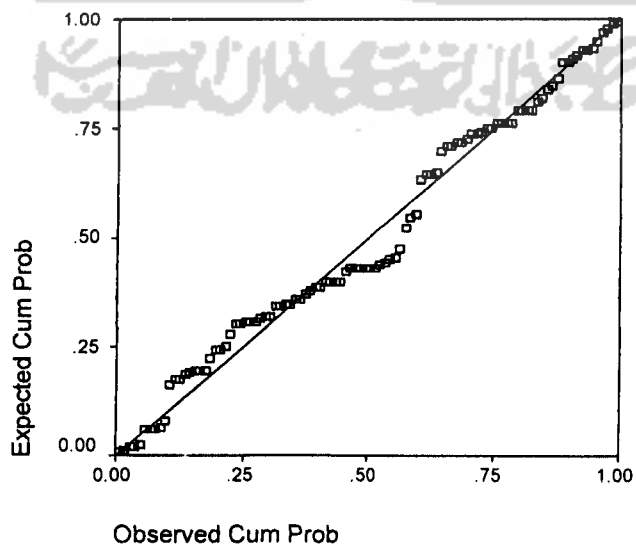
Histogram

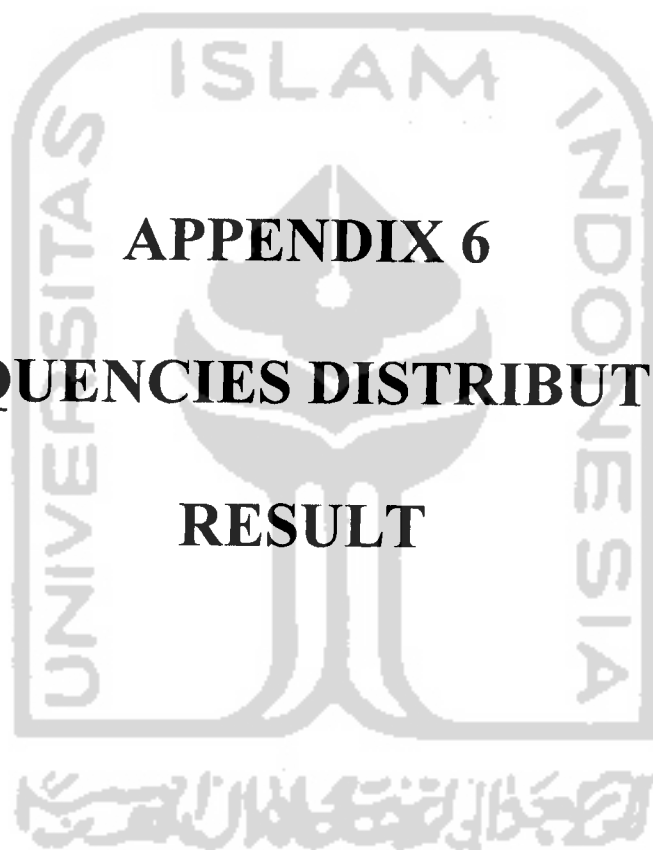
Dependent Variable: Performance



Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Performance





APPENDIX 6
FREQUENCIES DISTRIBUTION
RESULT

Frequencies

Statistics

		Y Performance	X1 Decentralization	X2 Budget Participation
N	Valid	100	100	100
	Missing	0	0	0
Mean		39.16	39.27	37.15
Std. Error of Mean		.582	.577	.396
Median		39.00	40.00	37.00
Mode		46	46	34
Std. Deviation		5.822	5.771	3.958
Variance		33.893	33.310	15.664
Range		18	18	20
Minimum		30	30	28
Maximum		48	48	48
Sum		3916	3927	3715

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PER1 Performance	100	3	5	4.49	.541
PER2 Performance	100	3	5	4.58	.516
PER3 Performance	100	2	5	4.51	.559
PER4 Performance	100	2	5	4.02	1.015
PER5 Performance	100	2	5	3.41	.986
PER6 Performance	100	1	5	3.14	1.073
PER7 Performance	100	2	5	3.76	1.173
PER8 Performance	100	1	5	4.25	.672
PER9 Performance	100	1	5	3.53	1.267
PER10 Performance	100	2	5	3.47	1.218
Y Performance	100	30	48	39.16	5.822
Valid N (listwise)	100				

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
BP1 Budget Participation	100	2	5	4.08	.545
BP2 Budget Participation	100	2	5	3.77	1.118
BP3 Budget Participation	100	2	5	4.06	.679
BP4 Budget Participation	100	2	5	3.31	1.134
BP5 Budget Participation	100	2	5	3.14	1.035
BP6 Budget Participation	100	2	5	4.05	.479
BP7 Budget Participation	100	2	5	4.01	.689
BP8 Budget Participation	100	1	5	2.83	1.371
BP9 Budget Participation	100	2	5	4.05	.642
BP10 Budget Participation	100	1	5	3.85	1.086
X2 Budget Participation	100	28	48	37.15	3.958
Valid N (listwise)	100				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DEC1 Decentralization	100	2	5	3.69	.895
DEC2 Decentralization	100	2	5	3.83	1.215
DEC3 Decentralization	100	2	5	4.08	1.041
DEC4 Decentralization	100	2	5	3.53	.915
DEC5 Decentralization	100	2	5	3.77	.874
DEC6 Decentralization	100	2	5	4.39	.777
DEC7 Decentralization	100	2	5	4.27	.908
DEC8 Decentralization	100	2	5	4.35	.702
DEC9 Decentralization	100	1	5	3.43	1.208
DEC10 Decentralization	100	2	5	3.93	1.273
X1 Decentralization	100	30	48	39.27	5.771
Valid N (listwise)	100				



PT. BUKAKA TEKNIK UTAMA
HUMAN RESOURCES & GENERAL AFFAIRS DIVISION

SURAT KETERANGAN
Nomor : 051 / BTU-TR / RS / IX / 2005

Yang bertanda tangan di bawah ini Pimpinan PT. Bukaka Teknik Utama, menerangkan bahwa :

Nama : Dewi Indah Ratna Fury
NIM : 00312215
Jurusan : Akuntansi
Perguruan Tinggi : Universitas Islam Indonesia - Yogyakarta

Nama tersebut diatas telah melaksanakan riset / penelitian di PT. Bukaka Teknik Utama dengan judul “ *The Effectiveness of Budget Participation on Decentralized* “

Demikian surat keterangan ini kami buat dengan sebenarnya agar dapat dipergunakan sebagaimana mestinya.

Cileungsi, 20 September 2005
PT. Bukaka Teknik Utama

PT. BUKAKA TEKNIK UTAMA
TRAINING CENTER

Drs. Sobirin AT, MM
Chief Training & Recruitment Center