

THE EFFECTS OF ORGANIZATIONAL CULTURE AND INDIVIDUAL CAPACITY ON BUDGETARY SLACK USING PARTICIPATIVE BUDGETING AS MODERATING VARIABLE AT IBI DARMAJAYA LAMPUNG

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ABSTRACT

This research discusses the effects of organizational culture and individual capacity on budgetary slack using participative budgeting as moderating variables that are organizational commitment, organizational culture and individual capacity. The respondents chosen were based on structural position in IB Darmajaya as 53 respondents. The data collected through survey method in the form of questionnaire also measuring the reliability test on all variables and correlation analysis.

The result of the research based on correlation analysis indicates the correlation level where the correlation analysis of all variables indicates the strong level of correlation. In addition, the participative budgeting positively affects budgetary slack. On the contrary, organizational commitment and organizational culture weakened the correlation between participative budgeting and budgetary slack. Besides, high or low individual capacity is not able to moderate the correlation.

KEY WORDS : Budgetary Slack, Organizational Culture, Participative Budgeting

1. Introduction

Background of the Problem

Budget is an accountability instrument in public financial organizing system and a basic public service. Public service is a process of bureaucratic organizational

performance, so budgeting is an important activity in public sector organization to increase the bureaucratic organizational performance and the success relies on the cooperation within the system (Maksun, dkk., 2007).

Budgeting plays an important role in planning, controlling, and making decisions. Budget is also used to increase coordination and communication. The use of budgeting for the company to show the management about:

- a. Profit rate expected by the company.
- b. the expected resources can be produced or used during the period of future budgeting.
- c. Budget also informs the management about consequences of an alternative action series which give bases to make the best decision.

The correlation between the customers and the management is that budgeting is a management tool to help running the functions. Because budgeting is merely a tool of management, the existence of management is absolutely needed even though budgeting has been perfectly made. A good and perfect budgeting cannot guarantee that the implementation and realization will be good and perfect, too without being organized by skillful management.

In the conduct of educational activities, IBI Darmajaya mostly uses the income derived from students' tuition fee and external earnings, while in allocating the expenses it is done per unit. Financial mechanism done at IBI

Darmajaya is based on Standard Operating Procedure (SOP) that has been determined.

Financial management is a whole activity in gaining fund, asset management, then using the fund and allocating it to finance investment activity or purchases done by the company effectively to gain high earnings with a minimum risk level possibly to give prosperity to the owner of the company and the shareholders.

Organizational culture and individual capacity factors really determine a good budget determination in an organization. An ideal budgeting is the final goal to be achieved by the company because by the ideal budgeting the company can manage the profit effectively and efficiently. However, there is often a deviation in the budget making process in an organization or company, called *budgetary slack*, so the budget made does not reflect needs of a company or an organization. One of determining factors of *budgetary slack* is an information asymmetry, an information difference owned by an agent a principal, so the principal is not really able to monitor the competence of the agent. According to Dunk (1989), if the agent's performance is evaluated based on whether or not the budgeting target is reached, the agent will be motivated not to give all information he owns at the budgeting planning.

Based on the above explanation, the writer is interested to examine whether organizational culture and individual capacity affect budgetary slack using participative budgeting as moderating variable at IBI Darmajaya Lampung.

1.1. Definition of Budget

According to Mulyadi(2001:488) in his book "AkuntansiManajemen" budget is a work plan which is communicatively stated, measured in a monetary standard and another unit of measurement, including a one-year period of time.

1.2. Budgetary Slack

The concept of *budgetary slack* in the agency theory can lead to misallocated organizational resources. *Budgetary slack* tend to be done by agents who participate in budgeting by doing underestimate revenue or overestimate expenditure. *Budgetary slack* is defined as an action by the agent to lower the productive capability because it has the opportunity in determining the working standard (Young, 1985).

2. Research Method

According to Sugiyono (2006:01) research method is a scientific method to gain data with specific aim and use. This research used an associative method, a research which uses at least 4 correlated variables. The associative method in the research used is to find out how much effect of participative budgeting on budgetary slack with organizational culture and individual capacity as strengthening and weakening factors. The type of research target used was *Causal research*. It is used to examine hypothesis on cause-effect correlation.

3. Result And Discussion

1. Based on the result of hypothesis test 1, it is found that there is a significant effect between X1 and X2 or between organizational culture and participative budgeting as 70.5%. the result of the test, if X3 quality or participative budgeting wants to be increased, X1 quality or organizational culture should be first improved. In other words, the increasing the participative budgeting dynamics is affected mostly by the increase of organizational culture. The efforts to improve organizational culture (X!) is by bettering the elements of the indicators of X1 as follows:
 - A. Mission
 - B. Consistency
 - C. Adaptability

D. involvement

and the elements connected with X3 revision or participative budgeting through X3 indicator:

- A. The participation of central responsibility manager in making budgeting and the involvement in giving opinions.
- B. The frequency of the top manager in asking for opinions of central responsibility manager in the process of budgeting making.

2. Based on the result of hypothesis test, it is found there is a significant effect of individual capacity (X2) on participative budgeting (X3). The amount of the effect is as 0.026 % (based on β coefficient).
3. Based on the result of hypothesis test, it is found that there is no significant effect of organizational culture (X1) on budgetary slack (Y) through participative budgeting (X3). The amount of the effect is as 39.97 % (based on β coefficient).
4. Based on the result of hypothesis test, it is found that there is no significant effect of individual capacity (X2) on *budgetary slack*(Y) through participative budgeting (X3). The amount of the effect is as 1.47 % (based on β coefficient).
5. Based on the result of hypothesis test, it is found that there is a significant effect of participative budgeting (X3) on *budgetary slack*(Y). The amount of the effect is as 56.7 % (based on β coefficient).

The results of tests show that if budgetary slack (Y) wants to be minimized; participative budgeting (X3) should be first improved. In other words, the decrease of budgetary slack is affected by the increase of participative budgeting.

The effort to decrease budgetary slack (Y) is by improving the indicator elements of participative budgeting (X3) as follows:

- A. Participation of central responsibility manager in making budgeting and his involvement in giving opinions.
- B. Frequency of the top manager in asking for opinions of the central responsibility in making the budgeting.

Therefore, by the increase of participative budgeting, it is expected that the ideal budgeting will be reached.

5. Conclusion And Suggestion

5.1 Conclusion

Based on the result of the discussion in chapter IV, it can be concluded that:

Based on the data processing, the writer tries to do an analysis and make some conclusions as follows:

1. it is about the amount of the effect of organizational culture and individual capacity on participative budgeting that can be described in the following explanation:
 - a. That organizational culture has a partial and significant effect on participative budgeting as 0,705 or 70,5 %
 - b. that individual capacity has a partial but not significant effect on participative budgeting as 0,026 or 2,6 %
2. It is about the amount of the effect of participative budgeting on budgetary slack indicating that participative budgeting has a partial and significant effect on budgetary slack as 32,1 %

Therefore, based on the above explanation, it can be gained the indirect effect as follows:

- a) The effect of organizational culture variable on participative budgeting through *budgetary slack*
 - 0,705 x 0,567
 - 0,3997 or 39,97 %
 - b) The effect of individual capacity variable on participative budgeting through *budgetary slack*
 - 0,026 x 0,567
 - 0,0147 or 1,47 %
3. The *individual capacity* variable does not significantly affect participative budgeting at IBI Darmajaya, it is because the implementation of budgeting planning process uses a centralized method.

5.2 Suggestion

Based on the discussion, it can be suggested:

1. To keep increasing a positive organizational culture at IBI Darmajaya, by implanting vision of the organization, and work consistency of every work unit at IBI Darmajaya.
2. For individual capacity to give a positive effect on a better budgeting planning and to minimize *budgetary slack*. The head of IBI Darmajaya should be able to accommodate suggestions in budgeting planning in every work unit in IBI Darmajaya, so the heads of work units have sense of belonging related to the operational at their work unit.
3. To avoid ineffective *budgetary slack* in the budgeting planning, it is better to involve work units because based on the previous research by the writer, individual capacity does not have a significant effect.
4. As indirect effect through participative budgeting variable that organizational has a significant effect on *budgetary slack*. In this regard, IBI Darmajaya has to give effects more and look for such an effort on how to optimize individual capacity of respective work unit in IBI Darmajaya.

5. For the advancement of science, it is suggested to do researches using the research variables such as information asymmetry information and organizational commitment.

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