

## **CHAPTER I**

### **INTRODUCTION**

#### **A. BACKGROUND**

Based on the economic sector that has been running from year to year certainly has a very big change for all nations in the world. Every country has different way to achieve the goals especially in economic sector such as advancing or prospering the welfare of the people in the country itself. In the digital era, definitely, most people have already known what the MEA (Asean Economic Community) is. MEA itself aims to make business people (especially) to do or continue to find creative and innovative ideas having the goals of maintaining the existence of the company.

Indeed, this is inseparable from the performance of employees who have the obligation to improve performance in order to facilitate all activities in the organization in accordance to the established strategies and rules. If only the performance of employees in the organization is considered to be less than optimal, then it will greatly affect the existence of the company. One thing that needs to be known is that the more developed the era, is the more developed technology or other business strategies, will be.

Thus, the competition between one organization and another organization will be more competitive and very tight. It can trigger employees in the organization to optimize their work and come up with innovative creative ideas about business strategies to achieve the corporate goals as well as to maintain their competitiveness in particular business area. Beside the business

sector, talking about economy was very large and interrelated. Then, talking about the performance of employees is very broad. It is not just the topic of business or entrepreneurship. On the other hand, the government sector which also has a role to advance the country's economy in terms of providing services to the community.

Regarding the self-government sector, there are important factors in planning a strategy to achieve the goals of the government or organization. This factor is the managerial performance. Managerial performance is certainly common in the government sector and the performance must also have other supporting factors to become the foundation in achieving the goals of government or organization. The Examples of other factors are budget participation and organizational commitment.

Job performance or usually referred to actual performance which has the meaning of an actual achievement which has been achieved by an individual. Meanwhile the broad understanding of performance itself is a quality job carried out by an employee in carrying out tasks and functions in accordance with the responsibilities given by his supervisor. According to Luthans (2005), performance is the quantity or quality of something produced or services provided by someone who does the work.

Management is a blend of art and science, a science in managing things correctly. Knowledge actors are called managers. It means that managerial knowledge is the management of knowledge that is applied effectively in

practice including knowledge of underlying management and the ability to apply it in reality.

Understanding managerial performance is the result of an effective process of managerial activity starting from the planning, implementation, administration, accountability, coaching, and supervision processes. Managerial performance variables are measured using self-rating instruments developed by Alfar (2006), in which each respondent was asked to measure his own performance into eight dimensions, namely planning, investigation, coordination, evaluation, supervision, staff selection, negotiation, and representation.

As well as one dimension of measurement of the performance of an agency head, section head and head of the field as a whole. Managerial performance is how far the managers carry out management functions. Furthermore, the managerial performance according to Stoner (2005), is how effective and efficient managers have worked to achieve the organizational goals.

According to Wasisto and Sholihin (2004), there are two reasons why participation is an interesting topic in management accounting. First, participation is generally a managerial approach that is considered to improve organizational member performance. Second, some studies that examine the relationship between participation and performance show inconsistent results.

The Participation is the involvement of individuals in a social interaction in an activity in the community that grows out of self-awareness without any

pressure or coercion and is full of sense of responsibility. According to Mardikanto (2013), "participation is a form of participation or involvement of someone (individual or citizen) in a particular activity". The participation or involvement referred is not passive but actively directed by the person concerned. Therefore, participation will be more precisely interpreted as the participation of a person in a social group to take part in the activities of their community, apart from their own work or profession.

According to Mardikanto (2012), he suggests that in the everyday sense, participation is "the participation or involvement of someone (individual or community) in a particular activity. Participation here or the involvement referred is not passive but actively indicated by the person concerned ". Management in enterprise management first establishes goals and objectives, then plans activities to achieve these goals and objectives.

Plans that are arranged quantitatively are generally stated in the form of a budget. The budget is a very important management tool for communicating management plans within an organization, allocating resources and coordinating activities. According to Simamora (1999) the notion of a budget is: "A detailed plan that shows how resources are expected to be obtained and used for a certain period of time".

According to Mulyadi (2001), the definition of budget is as follows: "The budget is a work plan that is stated quantitatively, measured in standard monetary units and other units of measure, covering a period of one year ". Then, according to Hansen and Mowen (2004) the budget is: "A quantitative

plan in the form of monetary and non-monetary that is used to translate the company's goals and strategies in operational units".

The above definitions can be explained further, that the budget is a quantitative short-term activity planning that is measured in monetary units and other units of measurement to show the acquisition and use of organizational resources as a management tool for planning, controlling and evaluating management performance in efforts to achieve organizational goals.

The measure of involvement and influence in the arrangement of the budget is more detailed in Milani (1975), namely:

1. The influence level of the involvement of the managers on the budget.
2. Reasons for superiors at the time of the budget in the revision process.
3. Frequency stating the initiative, giving proposals and or opinions about the budget to superiors without being asked.
4. The interests of managers in their contribution to the budget.
5. The frequency of the budget is discussed by superiors at the time the budget is compiled.

Hafiz (2007) says that "In budgeting using the participation approach, budget information obtained by top management is used to evaluate functional managerial performance and distribute rewards and punishments". Mulyadi (2001) defines budget participation as follows: "Participation in budgeting means the participation of operating managers in deciding together with the budget committee regarding the series of activities that will be carried out by

the operating managers in achieving budget targets". Participation in budgeting involves a process where individuals are involved and have an influence on the preparation of their budget targets. In addition, participation as a joint decision-making process between two parties or more will bring influence in the future for decision makers (Saragih, 2010).

The participation of managers in the budgeting process leads to how much the level of involvement of managers in preparing budgets and implementation to achieve the budget target (Samuel, 2008). Budget participation has a very important role to increase organizational performance and can produce high quality decisions. Every member in an organization is given responsibility for decisions that are produced together. The resulting decision together will lead to a strong commitment to the achievement of organizational goals and ultimately be able to increase performance.

The organization is a coordinated unit consisting of two people or more and functions to achieve a certain goal or goal. Organizational commitment is a personal value, which sometimes refers to loyalty to the organization or commitment to the company (Hapsari 2006). Rotai (2003) states that: "Organizational commitment is a situation where an employee sits on a particular organization and goals -the purpose, and intends to maintain membership in the organization ". Sinaga (2009) explains that: "Organizational commitment is a strong belief and support for the values and objectives of the organization “.

In another sense, organizational commitment means that a situation where members of the organization have high loyalty to the organization ". Considering the above discussed definitions, it can be defined that organizational commitment is a condition where individuals have the trust, attachment, and feeling of belonging to the organization so that the individuals have more priority for the interests of the organization than the individual interests. For each individual with high organizational commitment, achievement in organizational goals is very important.

Vice versa, for every individual with low organizational commitment to achieve organizational goals and will try meet personal interests. Individuals in the organization are willing to do what is best for the company because they are driven by their personal motivation and social pressures. Most individuals have personal satisfaction to carry out tasks well with the aim that the company is advanced. It is in accordance with the meaning of a verse in Surah Al-Baqarah verse 286 saying that :

نَسِينَا أَوْ أَخْطَأْنَا ۗ نَلَا يُكَلِّفُ اللَّهُ تَفْسًا إِلَّا وُسْعَهَا ۗ لَهَا مَا كَسَبَتْ وَعَلَيْهَا مَا اكْتَسَبَتْ ۗ رَبَّنَا لَا تُؤَاخِذْنَا إِ  
طَاقَةً لَنَا بِهِ ۗ وَعَفْ عَنَّا رَبَّنَا وَلَا تَحْمِلْ عَلَيْنَا إصْرًا كَمَا حَمَلْتَهُ عَلَى الَّذِينَ مِن قَبْلِنَا ۗ رَبَّنَا وَلَا تُحَمِّلْنَا مَا لَا  
لَى الْقَوْمِ الْكَافِرِينَ ۗ وَاعْفِرْ لَنَا وَارْحَمْنَا ۗ أَنْتَ مَوْلَانَا فَانصُرْنَا ۗ

“ Allah does not burden a person but according to his ability. He gets the reward that he tries for and he gets the punishment (from evil) that he does. (They pray): "Our Lord, do not law us if we forget or we are wrong. Our Lord, do not burden us with a heavy burden as you burdened the people before us. Our Lord, do you not bring up to us what we cannot bear. Give us

forgiveness; forgive us; and bless us. You are our Helper, then help us against the unbelievers. " (QS. Al-Baqarah : 286)

Surah Al-Baqarah verse 286 above explained to us that every human must have the spirit and motivation in running their life. In this world, it is known that human will face with so many challenges that they have to pass. With pray, spirit, and motivation, human can improve themselves to be the best human. Since through prayers, spirit, Allah SWT is always in our side. Allah also will not give the burden more than human ability.

This is what drives the motivation of individuals within the company to implement it. Every employee has a different basis and behavior based on the organizational commitment he has. The employees who have organizational commitment on an affective basis have different behaviors than continuance-based employees as well as normative employees.

The employees with high affective components, continue to join the organization because of the desire to stay as a member of the organization while the employees with a high continuance component, still join the organization because they need the benefits of the organization. The Employees who have a high normative component, stay as members of the organization because they must do so based on moral obligations.

From the explanation above, the researcher formulates the titles of the study, "THE INFLUENCE OF BUDGET PARTICIPATION, ORGANIZATIONAL COMMITMENT, AND WORK MOTIVATION TOWARDS THE MANAGERIAL PERFORMANCE OF LOCAL



GOVERNMENT OFFICER WITH INTERNAL LOCUS OF CONTROL AS  
THE MODERATING VARIABLE AT BANTUL REGENCY ”.

**B. Research Scope**

The scope of this research is as follows :

1. This research uses three variables which consist of dependent variable, moderating variable, and independent variable. The dependent variable used is the managerial performance. The independent variables used are budget participation, organizational commitment, and work motivation. The moderating variable used is internal locus of control.
2. This research also uses the samples that will be taken from the structure and staff of departments in Bantul Local Government.

**C. Research Questions**

Based on the background description that has been written, the researcher sets out of the following research questions :

1. Does budget participation in the Bantul local government officer have a positive significant effect on managerial performance in Bantul Regency?
2. Does organizational commitment in the Bantul local government officer have a positive significant effect on managerial performance in Bantul Regency.?
3. Does work motivation in the Bantul local government officer have a positive significant effect on managerial performance in Bantul Regency.?

4. Does internal locus of control in the Bantul local government officer have a positive significant effect on the relationship between budget participation and managerial performance in Bantul Regency ?
5. Does internal locus of control in the Bantul local government officer have a positive significant effect on the relationship between organizational commitment and managerial performance in Bantul Regency ?
6. Does internal locus of control in the Bantul local government officer have a positive significant effect on the relationship between work motivation and managerial performance in Bantul Regency ?

#### **D. Research Objectives**

Based on the elaboration of the research questions above, the researcher will explain the research objectives as follows:

1. To obtained the effect between budget participation and managerial performance in Bantul local government officers in Bantul Regency
2. To obtained the effect between organizational commitment and managerial performance in Bantul local government officers in Bantul Regency.
3. To obtained the effect between work motivation and organizational commitment with managerial performance in Bantul local government officers in Bantul Regency.
4. To obtained the effect of internal locus of control influencing on budget participation and managerial performance in Bantul local government officers in Bantul Regency.

5. To obtain the effect of internal locus of control influencing organizational commitment and managerial performance in Bantul local government officers in Bantul Regency.

6. To obtain the effect of internal locus of control influencing work motivation and managerial performance in Bantul local government officers in Bantul Regency.

#### **E. The Significance of The Study**

##### 1. Theoretical

a. This research is expected to provide accurate evidence of the factors that influence employee performance.

b. This research is expected to increase knowledge about the effect of employee performance on managerial performance.

c. This research is expected to be a reference for future research in terms of providing more accurate and detailed information.

##### 2. Practical

a. This research is expected to give significance to the influence of employee performance on managerial performance.

b. This research is expected to trigger companies to put more emphasis on employees to get maximum work so that the goals in the company can be achieved.