



## To Achieve A Quality Budget on Knowledge Management Based Such as Regulatory of Administrative Reform and Bureaucracy Reform Minister No. 14 Year 2011

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### Abstrak

The report of BPK-RI's Auditor results, can be concluded that any potential losses are more due to a weakness of apparatus' skills and knowledge to manage the public financial, including the Government of Medan City. In addition, the lack of apparatus knowledge to realize a quality budget where the budget is marked by some of the characteristics of quality budget, namely the participation of the budget, the budget goal clarity, the adequacy of the budget, and feedback budget, which simultaneously that to the presence of task uncertainty. Through the participation of Medan City Government's apparatus and to use the survey instruments, this study aims to provide the contribution of thought on the relationship between budget goal characteristics, task clarity, and knowledge management and to realize the knowledge management modeling as a continued step in the context of budgeting in Medan's government area. Statistically, this research results showed that knowledge management has no effect on feedback budget (as one of four characteristics of quality budget) while the other characteristics (participation, budget goal clarity, and the adequacy of the budget), have an influence. To the problem of task uncertainty's effect, only the adequacy of the budget that cannot be influenced by the task uncertainty. Related to the problems of task uncertainty role as moderator of relationship between the budget and knowledge management, showed that there is no task uncertainty role as moderator between the knowledge management and feedback budget.

**Keywords:** Knowledge Management, Characteristics of Quality Budget, and Task Uncertainty

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### 1. INTRODUCTION

Public Management for Local Government in Indonesia, lately has become an interesting phenomenon to study. Although the local government has various sets of rules governing financial governance of the country / region, but until now, both the state and local government budget, it is very prone to be manipulated so that the potential financial harm state. Based on Audit Reports by the Auditor BPK-RI, it can be concluded that any potential losses are more due to a weak

ability and knowledge of the apparatus in the public financial management. For that, it needs a modeling of knowledge within government institutions including the government of Medan city.

In addition, there is still lack of knowledge of the apparatus to realize the quality of budget that characterized by the fulfillment of some characteristics of budget quality that includes the participation of budget, the budget goal clarity, the adequacy of budget, and feedback budget. On the other hand, the problem

of task uncertainty also remains a serious problem to develop quality of budget. Based on the above conditions, the study aims to provide a conceptual contribution in the form of knowledge management modeling through a range of variables that allow to contribute in improving the quality of budgets.

## **2. RESEARCH QUESTIONS**

Referring to the background of above problems, the problems to be analyzed is “does the application of knowledge management model at government of Medan City has been able to realize a quality budget that reflected characteristics of budget quality through by task uncertainty?”

## **3. LITERATURE REVIEW**

### **a. Budget Policies**

So far, Indonesia tends to adopt fiscal policies aimed at boosting the economy known as loose budget policy, which in essence is an increase in the ratio of state budget to national income in the form of an increase in budget deficit or a decrease in budget surplus. Basically, the fiscal stimulus policy is intended to provide more leeway to boost the economy. However, fiscal stimulus often becomes less effective if it is not

supported by the right situation or condition and other consistent policies, and even impossible fiscal stimulus can actually hinder the economy. For example, a fiscal stimulus should increase aggregate demand, but if it is not balanced by accommodative monetary policy, it can lead to counter-productive outcomes (Abimanyu, 2005).

Given this problem, the government has taken a policy to overcome the deficit of APBN by way of printing new money. As a result, the level of general prices becomes inflation. The deficit is clearly a sign of mismanagement and inefficiency in the use of state finances. In terms of acceptance, these mismanagement and inefficiencies reflect the inability of the government to extract sources of income. While in terms of expenditure, it is caused by excessive protection in the effort of economic nationalization and financing that exceed the ability of presidential lighthouse projects (Dumairy, 1996).

Regardless of the budgetary policy, the quality of the budget will make the policy contribute significant contributions to the nation's development. Therefore, the quality of the budget will be important to discuss. According to Kenis (1979), the quality

of the budget can be characterized through participation budget, budgetary adequacy, budget clarity, and budgetary feedback.

#### **b. Knowledge Management**

Since the 1990s, knowledge management has become a key factor for the organization in order to achieve increasing of productivity and effectiveness of the organization (DeLong and Fahey, 2000). Furthermore, Kong (2007) explained that building a strategic management thinking, at least use the expanded view that has been influenced by knowledge. These suggestions to provide the insight correctly for us on knowledge in an entity that should be coordinated more excellently.

Bixler (2001) affirmed that a knowledge management is a key factor in both business and public organizations. The way of government organizations to do their activities, dealing with the public, as well as laying the values of the organization to its officials, has used the knowledge approaches. Halawi et al. (2006) has a conclusion that the knowledge management by an organization will provide opportunities to create organizational values significantly, but if only is associated with all existing

strategic and organizational strategic decisions. Similar revealed also by Tecker et al. (2002) that the knowledge can be used as a form of strategic to direct government agencies on improving services to the public without ignoring the interests of the internal organization.

#### **c. Characteristics of the Budget Qualified**

Budget has many dimensions for an organization, including the government organization. The many thing inherent in the budget, make Anthony and Govindarajan (1998) classified the usefulness of the budget that includes: (1) put the plan strategic; (2) coordinating the activities of various parts; (3) bringing responsibilities together; and (4) the evaluation of performance. The other side, the budget is a reflection on the problem of management decision making, managerial decisions and controlling (Zimmerman, 2000).

Here, we see that the management decision-making, will be operationalized optimally through the budget because the budget provides a mechanism to communicate of knowledge between one activity and the others activities. The comprehensively, Kenis (1979)

expressed in term of "budgetary goal characteristics" and is also equipped by Nouri and Parker (1998) and Parker and Kyj (2006) cited which includes the participation of budget, budget goal clarity, budgetary feedback, and the adequacy of the budget.

### **Participation budget**

In the context of government organizations, the arrayed budget contains the elements of revenue and allocations of funds collected (Franklin et al., 2009). Participatory budgeting refers to a situation that the government agency is inviting the public as a givers of input during the budget process is done and allowing public to participate in decisions making on budget policy to be set (Zhang and Yan, 2009).

### **Budget goal clarity**

Kenis (1979) explains that the purpose of clarity of budget can be defined as the development goals that incomprehensible clearly and explicitly stated so well be understood by all components/elements both inside and outside organization. Generally, each individu will compare themselves to others when they are in a state of uncertainty over their opinions and their ability particularly when the

objective standard is inadequate according to them (Butzer and Kuiper, 2006). Along with these opinions, the researchers agree that any induvidu experiencing uncertain conditions on aspects of their previous lives, such as the impact they will receive from the government policy or causes of an event, is a matter that raises comparisons of social (Buunk et al, 2012). In connection with public organizations, Jung (2011) has indicated that public organizations had goals relatively weak to the public interest rather than business institutions and te goals of public agencies are relatively ambiguous because it has not had a measurable size.

### **Adequacy of budget**

Some studies on accounting,area have recommended that the workers will have accurate information when they are holding the adequacy of the budget. However, the workers will try to pour information into the budget to ensure that they have sufficient resources to support the performance of their duties. This situation is always referred to as a form of sufficiency of budget. According to Nouri and Parker (1998), the adequacy of budget is the degree to which managers or workers receive

adequate resources that budgeted to build their expected performance task.

### **Feedback budget**

Kenis (1979) showed that the feedback of the budget is the degree to which each manager of a department/ division have reached their budgetary objectives and the degree to which the top management to provide feedback to each manager department/division in achieving their budget goals. The statement, logically explains that the use of feedback budget as a variable which if preparers and users did not know what they will receive, then they will have lost the taste for the pursuit of success or failure. Francis-Gladney et al. (2009) concluded that the budget that suit with the expectations of the team of budgeting will improve communication between managers and supervisors in the context of the budget feedback. The feedback of budget can be realized through meetings and through reports or writings that be a explanation on budget.

### **Task Uncertainty**

There is strong agreement that the decisions made by the leadership of the organization, always under conditions of uncertainty (Jalonen, 2012). To reduce the uncertainty associated with

identification of target, as well as the loss potential on recognition of the existing conditions, then a lot of target identification systems have been developed. The system is designed as an aid to decision-making in order to identify the case automatically. Nevertheless, increasing knowledge about the uncertainty in the innovation process may also provide practical innovation with new insights. A more comprehensive understanding of the various sources of uncertainty offers opportunities to improve their innovation management activities.

## **4. RESEARCH METHOD**

This study applied a qualitative and quantitative approach with survey method that is research that takes a sample of the population and use of a questionnaire/ interview guide to e implemente the FGD as the principal means of collecting data. This study will be conducted in the city government of Medan, North Sumatra Province. The choice of location is because, in addition to including the five largest cities in Indonesia, Medan City Government also still has many weaknesses in managing its budget is evident from the number of local media reports that highlight the effectiveness of Medan City Government's budget problems.

Source of research data is derived from the answers to the research subjects. While data collection techniques is to use survey techniques. In addition to the deployment of questionnaires, the study also uses focus group discussion as a complementer data for making a conclusion.

## 5. RESULT AND DISCUSSION

### Demographic

Based on the results of field work, it appears that out of 110 potential respondents to participate in the study, only 95 respondents who can be used as a source of research data. The condition of respondents' demographics can be viewed from various aspects such as gender, education level, and whether respondents have ever heard Permenpan and RB number 14/2011 on Guidelines on the Implementation of Knowledge Management Program. In ditail, respondent demographic figures can be presented in the following table:

Table 1: Responce's Demographics

No.	Demographic Aspect	Sum of Respt.	%tage
<b>A Gender</b>			
1	Male	66	69,47
2	Female	29	30,53
<b>B Ever heard Permenpan and RB number 14/2011</b>			
1	Ever	54	56,84
2	Never	41	43,16
<b>C Education Level</b>			
1	Senior High School	3	3,16
2	Diploma	8	8,42
3	S1	67	70,53
4	S2	16	16,84
5	S3	1	1,05
<b>D Age</b>			
1	20 – 30 years old	11	11,58
2	31 – 40 years old	27	28,42
3	41 – 50 years old	29	30,53
4	50 – 60 years old	28	29,47

Referring to the demographics of the above, it appears that the participants are those who have aged with relatively balanced composition. In addition, this study also had respondents whose dominated by those who have ever heard/knew about Permenpan and RB No. 14/2011 on Guidelines for the Implementation of Knowledge Management Program. In other words, the term as well as matters related to the issue of knowledge management in government environmental organizations, is not something foreign to them. These conditions will make an important contribution on the continuation/ implementation of research results in the future. On the other hand, demographic aspects such as education, research respondents are dominated by those who tiered S1 as many as 67 people (70.53%). Respectively, the order of respondent education levels ranging from lowest to highest is S3 as many as 1 person or 1,05%, followed by high school as

much as 3 or 3.16%. The sequence after S1 education is S2 till 16 respondents or by 16.84%. While the respondents with diploma education levels as much as 8 or 8.24%.

**Alternative of Models of Knowledge Management in Government of Medan City**

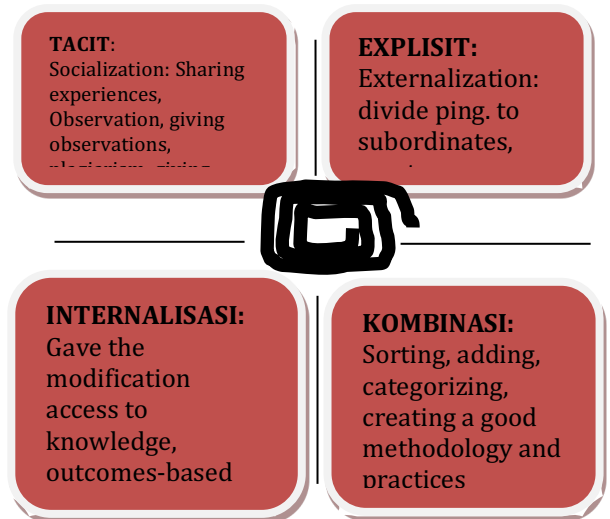
The respondents that are not yet approved the establishment of a separate unit to manage knowledge at Government of Medan City, only about 22 respondents or 23.96% of total respondents. They gave the reason why yet need to be formed unit own namely: a) already there is the Department of Training and Research that deal with knowledge, and b) need optimalization the role of Departement of education and training. The other respondents also give reasons why a separate unit to manages the knowledge needs to be established, which are:

- a) Improve the performance of human resources, especially in providing services to the community through increased their knowledge on public need,
- b) Can minimize problems around the government
- c) Can accelerates the distribution of information

- d) Can facilitate the achievement of the vision/mission of the organization
- e) Can zoomed knowledge gaps between superiors and subordinates, and
- f) Can add to the fields of knowledge that are being faced / addressed

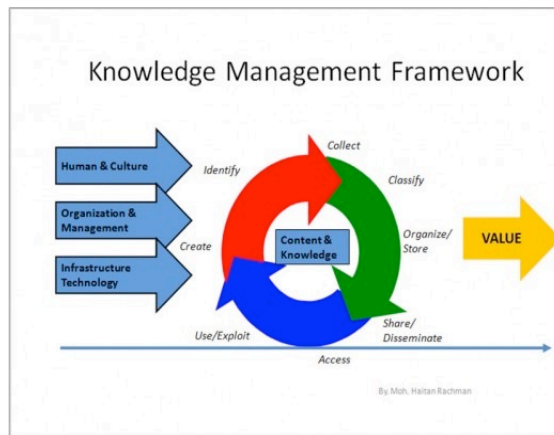
Based on the results of discussions on various questions raised during the discussion group is, then some alternative models of knowledge management that allows it to be run by the Medan City government in the context of realizing budget quality, can be presented in the following.

Figure 1: Knowledge Management Medan



However, to run the model, then it must first to understand on knowledge management framework that can be presented as follows:

**Figure 2: Knowlegde Management Framework**



## 6. Conclusion

Based on the results of the discussion above, some conclusions can be prepared, include the following:

- a) There is a spirit among the civilian state apparatus to realize the knowledge management in the context of the preparation of the budget,
- b) All of the characteristics of quality of budget whom they would support to be realized during the running of budgets,
- c) Although it was difficult, but the formation of culture want to know something of the aspect of budgeting is the key to successful knowledge management models, and
- d) Knowledge Management Framework was agreed to be understood properly and correctly so that the model of knowledge

management will be supported in its application.

On the other hand, some suggestions are given in order to improve the quality of the budget in the neighborhood of Medan Government, among others, were:

- a) Establishment of work units that manage knowledge, should not be at odds with the existence of duty main and function Departement of Research and Development and the Board of Education and Training Kota Medan, so knowledge management model will exist an expected effect, and
- b) Knowledge management will be very meaningful its existence if management of the Medan City Government when apply a participatory budget.

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