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## EMPLOYEE READINESS IN FACING CHANGES IN THE BUDGET SYSTEM AT PT SENTANA MUDA WIBAWA

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### ABSTRACT

This study aims to determine the readiness of employees in facing changes in the budget system at PT Sentana Muda Wibawa. The research method used is qualitative research to obtain information about the readiness of employees in the face of changes in the budget system and to reveal the situations and obstacles faced by the company with such changes. Data obtained from interviews with key informants. The data analysis method in this study is to collect data, reduce data, present data, and draw conclusions. The results of this study prove the readiness of PT Sentana Muda Wibawa to face the demands of budget system changes realized into four main components, appropriateness, management support, efficacy of change, and personal value. Employees of PT Sentana Muda Wibawa are very optimistic about-facing changes in the budget system, although there are some obstacles in the implementation process.

**Keywords:** Budget System; Efficacy of Change; Employee Readiness; Management Support; Personal Value; Suitability

### INTRODUCTION

Changes in an enterprise are inevitable, whether it is a large-scale or small-scale enterprise. Changes need to be made to adapt to changing conditions of the enterprise. If the company wants its business to be superior and sustainable, it must be ready to make changes. Companies that can make changes in this new era are believed to be able to survive, while those who fail will be immersed in increasingly fierce competition. Therefore, every company must be able to adapt quickly to the changes that will be faced and be able to overcome the obstacles that will occur. Changes in the company have an impact on the company itself and the employees in it (kasali, 2010). Employees, in this case, play an important role in any changes occurring in the company (Boohene & Williams, 2012).

Each change will cause a different reaction from each employee, some give a positive response, and some give a negative response (Winardi J, 2010). A positive employee response can help the company in making changes. Conversely, negative responses or employee rejections can hinder change. Rejection from employees can be caused because the employee is not ready for the change (Yukl, 2012). Some of these changes are successful, some are less successful, and can even cause new problems, such as stress in employees, which results in employees lacking enthusiasm at work so that they are often absent due to the unpreparedness of employees to accept changes (Boohene & Williams, 2012). If the company can photograph the readiness of employees to face change, it can create situations and conditions that allow employees to make changes (Holt, 2013). The lack of readiness of employees in the face of change will affect the success of such changes. Employees who are ready to change believe that the company will make progress if such changes are implemented. In addition, if employees are ready for change, they want to be involved in the change. Conversely, employees who are not ready to change will feel overwhelmed by rapid change (Keith, 2012). Therefore, the readiness of employees is very important for determining the success of company changes.

Sentana Muda Wibawa is one of the companies that has changed its budget system. This company is engaged in electrical services such as the installation of low-voltage electric power, medium voltage, and the installation of electric power. The company was founded in 2014. The current budget system is a performance-based budget that previously used traditional budgets. Traditional budgets still have some drawbacks: budget wastage,

inefficient practices, no evaluation activities, neglect of performance achievements, do not provide benefits for improving employee performance, and employees sometimes do not know how big the budget targets are and how big the available budget is. The changes made by PT Sentana Muda Wibawa, in the method of preparing its budget, will certainly give rise to new policies that must be implemented by the company. The changes require employees to adapt to the new policy. Employees of PT Sentana Muda Wibawa are an important element in the company because employees are the executors of all new policies and changes.

Previous research on employee readiness in facing changes was carried out by Susyanto (2019). The results of the study stated the readiness of employees in facing organizational changes that occurred at PT. Holcim Indonesia is still weak due to the lack of communication from superiors to subordinates regarding organizational changes that occur so that subordinates are less able to receive the latest information related to the company's condition. Another study by Andriyani (2017) stated that employee readiness in facing changes that occur in PT. ABC has been carried out well, because employees are equipped with trainings aimed at developing employee skills so that company goals are achieved.

Based on the description above and phenomena in PT. Sentana Muda Wibawa makes the author interested in researching the readiness of employees to face changes at PT Sentana Muda Wibawa has changed its budgeting method from a traditional budget to a performance-based budget. The selection of topics in this study is to find out the extent of the readiness of PT. Sentana Muda Wibawa in the face of changes in its budget system. The expected result in this study is to find out how the budget is implemented in PT. Sentana Muda Wibawa and how the readiness of employees in it in facing the changes in the budget system.

## LITERATURE REVIEW

### Employee Readiness

Holt et al. (2007) say that readiness is the condition of a person who is ready to give a response or answer to a question. Readiness arises from within a person. Adjustment of conditions at some point will affect the tendency to respond. The conditions of readiness of employees to change, according to Holt et al. (2007) are suitability, management support, efficacy of change, and personal value. Conformity explains an individual's belief that change is appropriate for an organization or company to benefit from the application of change (Holt et al., 2007). The efficacy of Change is the ability of employees to implement the changes that occur (Holt et al., 2007). Management support is the employee's belief that the leader or superior supports the change that occurs (Holt et al., 2007). Personal value (benefit to the individual) addresses the individual's belief that there are benefits that will be obtained if the change is implemented (Holt et al., 2007).

### Budget

Halim and Kusufi (2015) stated that the Budget is a document that contains performance estimates in the form of expenditures or receipts, which are presented in monetary form that will be achieved in the future and include past data as a form of control and performance appraisal. According to Mardiasmo (2009), the main character of traditional budgets is that budget preparation is based on an incrementalist approach, and the structure of budget regulation is a line item. The incrementalism approach prepares a budget based on the planning of the current year as the base year for determining next year's budget plus a certain percentage. While the line-item approach is budget planning based on pre-existing budget posts, so it is very difficult to determine whether a certain item is still needed or not (Mardiasmo, 2009).

A performance-based budget system is a system that compiles programs and makes performance an instrument to achieve targeted goals (Djayasingan, 2010). The implementation of a performance-based budget system begins with the formulation of the

program, then the preparation of the organizational structure under the program to be carried out. These activities include the establishment of work units for accountability for program implementation and the determination of performance indicators used as benchmarks in achieving predetermined goals. Mahmudi (2016) defines performance-based budgeting as a method of budgeting that is implemented by considering the relationship between outputs and expected results of the program to be implemented.

## METHODS

This research uses qualitative research to obtain clear and detailed information about the readiness of PT. Sentana Muda Wibawa in the face of changes in the budget system. In addition, with a qualitative approach, it is hoped that the situation and obstacles faced by the company can be revealed by changing the budget system. This research was conducted at PT Sentana Muda Wibawa which is located at Jalan Pemuda KM 1 Selat Dalam Kapuas Regency, Central Kalimantan. Sentana Muda Wibawa, in its budget system, has changed from a traditional budget system to a performance-based budget.

The informants in this study were employees of PT Sentana Muda Wibawa who knew about the budget system and employees who were directly related to budget planning and implementation at PT Sentana Muda Wibawa. The type of data used in this study is primary data. Primary data is a data source that directly provides data to collectors (Sugiyono, 2019: 194). The data collection techniques in this study were interviews and observations. Interviews, conducting questions and answers with related parties to obtain detailed data and information (Sugiyono, 2019: 194). Observation is used to study human behavior and work processes (Sugiyono, 2019: 194). In this case, the researcher observed the activities carried out by PT Sentana Muda Wibawa.

The data analysis method in this study uses the method proposed by Miles and Hoberman (1984) with steps, namely Data Collection (data collection), Data Reduction (reducing data), Data Display (presenting data), and Drawing / Verifying Conclusions (concluding).

## RESULTS

### Company Profile

PT. Sentana Muda Wibawa is a company engaged in the supply of goods and services with the type of building business and installation of electrical power supply installations in the field of medium and low voltage power distribution networks and installations of electric power utilization. The company is located on Jalan Pemuda KM 1 Selat Dalam Kapuas Regency, Central Kalimantan. Pt. Sentana Muda Wibawa was established for the first time on November 14, 2014, under the name CV. Fajrina Eka Pratama. Originally, the employees in it were just family members, which can be called this company is a family company. Continued on January 4, 2015, CV. Fajrina Eka Pratama started its commercial operations with a monthly production capacity of 60 customers and continues to grow every month. In early 2017, CV.Fajrina Eka Pratama changed its name to PT Sentana Muda Wibawa to its current state.

Sentana Muda Wibawa was established based on the Deed of Establishment of a Limited Liability Company issued by Notary Husein Halim, SH in Banjarmasin No.03 on the decree of the Minister of Law and Human Rights Number: AHU-2464529. The company is now so developed that its employees are not just members of the family itself anymore. Nevertheless, there are also many new people in it. The services provided by the company include the installation of medium-voltage electric power, low-voltage electric power, and the installation of electric power utilization. In addition, the company also provides New Spouses (PB), Power Changes (PD), tariff changes (Migration), simple party

connections/connections (Multipurpose), management of Operational Feasibility Certificates (SLO), electrical installations, Telkom payments, PDAM payments, and BPJS payments.

## **DISCUSSION**

### **Budget Implementation in PT, Sentana Muda Wibawa**

The budget is one of the important instruments in a company because the budget is part of important activities that are routinely carried out to achieve company goals. The budget cannot be separated from the company's vision, mission, and strategic plan. The budget allows the company to plan an activity in financial measure and be able to identify human resources and the necessary commitments in its implementation.

Sentana Muda Wibawa, in its budget system, uses a traditional approach that is made very simple where the budget is organized with an estimate of the content. So, the budget can not be used as a control tool. According to Blocher et al. (2019), a budget is a tool for planning, controlling, and making decisions. Based on the problems that occur, companies need to implement good and correct budget systems or procedures so that the company can plan and control its activities properly.

The implementation of the traditional budget at PT Sentana Muda Wibawa also shows several other weaknesses such as budget waste, inefficient practices, the absence of evaluation activities whether the budget is achieved or not, the neglect of performance achievements, and does not provide benefits for improving employee performance. In addition, employees do not know how big the company's targets and budgets are available because the company never involves employees in planning activities. As a result, this has an impact on the lack of morale of employees in the workplace because employees do not have targets to be achieved. The company is aware of the existing weaknesses, and the company wants them to be corrected.

### **Demands for Changes to the Budget System**

The budgeting system faces developments and changes both in terms of its implementation provisions and the regulations that regulate it. Changes in the budget system were marked by the issuance of Law Number 17 of 2003 concerning State Finance. The issuance of this law shows that the Indonesian government has mandated all units/companies in Indonesia to comply by carrying out financial reforms, especially in the budgeting system, namely by implementing a performance-based budget system. Sentana Muda Wibawa previously implemented a traditional budget system with several drawbacks such as budget waste, inefficient practices, budgets made based on approximately, neglect of performance achievements, and not providing benefits for improving employee performance.

The existence of these various weaknesses requires PT Sentana Muda Wibawa to improve its budget system. Another factor that requires PT Sentana Muda Wibawa to reform its budget system is the cooperation between PT Sentana Muda Wibawa and PT PLN (Persero). PLN is a State-Owned Enterprise (BUMN) that takes care of all aspects of electricity in Indonesia. This company has first implemented a performance-based system in its budget system so that the company can achieve its vision and mission well. That is what prompted PT Sentana Muda Wibawa to make changes to its budget system. The encouragement of other companies and the weakness of the previous budget system required PT Sentana Muda Wibawa to reform its budget system from a traditional budget system to a performance-based budget. It is hoped that the implementation of a performance-based budget system can correct weaknesses in the previous budget system.

### **Employee Readiness in Facing Changes in the Budget System**

The demands for changes in the existing budget system at PT Sentana Muda Wibawa, it is important to pay attention to the readiness of employees in it. Holt (2007) states that employee readiness has four main components: suitability, management support, efficacy of change, and personal value. Conformity is a form of employee

readiness to face changes in the budget system at PT Sentana Muda Wibawa referring to the importance of these changes being made and why these changes need to be made. In this case, it is explained that the legitimate reasons for the change in the budget system at PT Sentana Muda Wibawa to improve employee performance so that it is not inferior to competing companies, for the best service for customer satisfaction, getting optimal results, the company's vision and mission can be achieved and improve performance more effectively and efficiently. Therefore, it is natural for the PT to change the budget system. Pt. Sentana Muda Wibawa to be less competitive with competitors, can excel in service and performance, improve performance, and provide the best service to customers.

Management Support is an individual's belief or perception that the boss or leader supports the proposed change. In other words, employees feel that superiors support the implementation of changes. According to informants, management support for change is in the form of training to equip employees to successfully implement changes. The Efficacy of Change is a form of employee readiness in facing the guidance of company change at PT Sentana Muda Wibawa refers to how an employee feels capable or confident in carrying out tasks or activities related to change. The study states that employees are confident of having the ability to do the job and are confident to do it well. In addition, it is also mentioned that the reality is that not all employees can face changes easily because many employees feel comfortable, making it difficult to change. Employees have to teach again because of this change. However, employees of PT Sentana Muda Wibawa also stated that he remains optimistic in facing the process of changing the budget system and also feels responsible for delivering PT Sentana Muda Wibawa to success in the process of change.

Personal value is a form of employee readiness to face the demands of company change which refers to the extent to which an employee feels that he will or will not benefit from the implementation of such changes. When PT Sentana Muda Wibawa made changes to the budget system. They don't expect the financial benefits that come to them. They just believe something will be gained when the PT budget system changes. Sentana Muda Wibawa is carried out in the long term. Therefore, they do not feel worried when the changes are implemented

### **Constraints in Performance-Based Budget Implementation**

The implementation of the performance-based budget at PT Sentana Muda Wibawa, when viewed from some information obtained from several speakers, has been carried out well, but there are still some obstacles in its implementation. This constraint is related to human resources caused by the lack of quantity in fulfilling activities in implementing performance-based budgets. Some employees still work not in their field, thereby hindering its implementation. The availability of budget is a real obstacle faced by pt Sentana Muda Wibawa, the lack of available budget makes not all activities can be carried out optimally. In addition, problems are also caused by the planning and budgeting process taken from time to time so that it seems rushed and has not run optimally.

### **Solutions in Implementing Performance-Based Budgets**

The obstacles faced in implementing a performance-based budget must certainly be able to find a solution. Implementing a good performance-based budget can directly affect the performance to be performed. Then evaluation can also suppress problems that arise so that planning and implementing the budget will be better. Obstacles arise in the implementation of performance-based budgets because the planning and budgeting process is taken from time to time so that the planning and budgeting process seems rushed, which causes its implementation not to run optimally to overcome this PT. Sentana Muda Wibawa has planned and budgeted as early as possible, based on the implementation of the previous year's activities that became a benchmark, so that before the financial year ended PT Sentana Muda Wibawa already had a draft of activities and budgets that would be carried out for next year to minimize errors and shortages caused by the planning and budgeting process that was rushed and pursued on time.

## CONCLUSION

Based on the results of the researcher's analysis through the results of the interview obtained, it can be concluded that the implementation of the traditional budget at PT Sentana Muda Wibawa shows several weaknesses, such as the occurrence of budget waste, which is prepared with an estimated load, which cannot be used as a control tool. There are inefficient practices, no evaluation activities, neglect of performance achievements, no benefit to improving employee performance, and often employees do not know the target amount of the company and the amount of available budget. Because of these weaknesses, the company had to change the budget system from a Traditional Budget to a Performance-Based State Budget. Employee readiness in facing the demands of changes in the budget system at PT Sentana Muda Wibawa is manifested into four main components, namely, appropriateness (accuracy to make changes), Management Support (superior support), Efficacy of Change (trust in a person's ability to change), and Personal Value (benefits for individuals). However, there are still some obstacles in its implementation. For subsequent researchers, it is hoped that they can develop this research with different research subjects, for example in government companies. The next research topic can be expanded again. In addition, the development of similar research can also be carried out with a wider elaboration of themes, methods, and measuring instruments for better quality.

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