Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, Vol 14 (No.1) 2024, 48-58

https://jurnal.unimus.ac.id/index.php/MAX

Nationally Accredited based on the Decree of the Minister of Research, Technology and Higher Education, Number 1429/E5.3/HM.01.01/2022

Differences in The Use of Diagnostic Budget and The Use of Interactive Budget: Case Study of SMEs in Palembang City

Efva Octavina Donata Gozali[1*], Ruth Samantha Hamzah[2], Meita Rahmawati[3]

[1,2,3] Faculty of Economics, Universitas Sriwijaya, Indonesia
*Corresponding Author

Info Article

History Article:
Submitted: December 19, 2023
Revised: January 31, 2024
Accepted: February 12, 2024

Keywords:
Budgets, Diagnostic, Interactive, Company Performance

Abstract

This study aims to analyze influence styles, use budget diagnostics and interactive proxies for performance companies all at once. For comparing styles, use budget diagnostics and interactive proxies for SMEs in Palembang City. The type of data used is the primary data result of a spreading interview containing a questionnaire and alternative answers given to the respondent, which is SME managers and workers in Palembang City. Population study: there are 155,467 SMEs in Palembang City. Taking samples uses snowball sampling methods and techniques, which yield a determinant sample that yields the total sample of as many as 100 SMEs. Research data analysis techniques This is using the Software Statistical Program for Social (SPSS) version 25 with descriptive statistics and multiple linear regression. Research results show that style use budget diagnostic and interactive no influential performance company, use budget in a manner diagnostic more lots used compared to with use budget in a manner interactive.

JEL Classification: G31, H61, H72,

How to Cite: Gozali, E. O. D., Hamzah, R. S., & Rahmawati, M. (2024). Differences in The Use of Diagnostic Budget and The Use of Interactive Budget: Case Study of SMEs in Palembang City. *Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, 14(1), 48-58.*

DOI: *10.26714/mki.14.1.2024.48-58*

Introduction

The budget includes a management control system, which is used as the main feature and is one of the most widely used accounting control tools in practice (Chong & Mahama, 2014). Coordination in enhancing staff performance might be affected by budget use. Based on its use, the budget is a concept whose composition is quantitative and carried out systematically within a certain period with monetary units (Handayani & Arianty, 2010). In the process, the budget is a collection of characteristics and uses that vary within an organization, which includes planning, measurement, and evaluation. According to (Simons et al., 1990), the use of the budget is divided into two parts: the perceptual budget, which is a forum for managers to make decisions directly, and the interactive budget, which is the interaction that occurs between management and the team (Sponem & Lambert, 2016). Diagnostic use of budgets and interactive use have different controls because of varying design features. The use of interactive leads to direct communication at various levels that will affect organizational learning and innovation. The use of this budget requires the full attention of management at every level. Meanwhile, the diagnostic therapy approach focuses on starting a team with attention to performance variables; however, the use of diagnostics can lead to distraction stemming from the team wanting to achieve certain goals but with inappropriate responses (Su et al., 2015).

SMEs is currently being highlighted because it will switch to going public. However, there are still many problems regarding the use of the budget in SMEs (Mubarok & Faqihudin, 2011). The use of the budget is not limited to large corporations; SMEs must also use the budget. The budget is designed to allow managers to estimate the amount of receipts and expenses for the following period. There has been a lot of budget use in large companies, with good governance in its implementation (Nadiyah, 2018). While the implementation of budget use differs significantly between SMEs and large corporations in general. The reason is that there are several SMEs that use budgets that are not detailed with regular recording of business activities every week (Nabilah, 2016). The lack of knowledge of SMEs regarding the use of the budget causes SMEs to experience difficulties in allocating existing funds. With the increasingly widespread business activities that occur in SMEs, it will make UKM actors inefficient in bringing together ongoing business activities (Mubarok & Faqihudin, 2011). As a result, the types of budgets used in its application to SMEs, such as diagnostic and interactive, are ambiguous in their differences to the performance of organizations in these SMEs.

In this study, company performance indicators are team effectiveness and motivation. A team or collection of more than one employee is the center of an organization that has a direct relationship to effectiveness. In the previous explanation, an explanation of the connection between budget and business performance was provided. This shows the agreement can take time. The way the budget is used directly affects the participants' human behavior. Chong and Mahama (2014) propose that managers may enhance team performance through the usage of budgets in teams. Managers have limitations in obtaining existing information, this causes the manager to be unable to make decisions directly. As a result, the role of performance in the company is required in this situation.

The aim of this research is to investigate the effect of using diagnostic and interactive budgets on company performance, especially in SME in Palembang City. This research aims to provide knowledge and information regarding the appropriate use of budgets for SME business activities and to find out how the use of these budgets can influence organizational performance. The expected benefit of this research is to provide a reference for businesspeople, especially SMEs, in improving the implementation of good and effective budget use.

There are various studies that examine the influence of budget style on company performance. The interactive and diagnostic use of budgeting makes a significant contribution to the formation of emerging strategies and the implementation of intended strategies (Hofmann et al., 2012). Several studies show that the use of diagnostic budgets has been proven to have a positive impact on company performance. For

example, in research conducted by Guenther and Heinicke (2019), it is stated that company performance can be improved through a diagnostic style of budget use through implementing and designing company strategies and monitoring performance achievements using a cycle of checks and balances. Diagnostic budgeting can influence company performance by helping achieve organizational goals and taking corrective action when there are budget variations (Kaveski et al., 2021). According to research conducted by Jiao et al. (2023), the use of diagnostic budgets is related to company performance, where diagnostic budgets in practice use comparisons of the company's actual work results against previously set goals, which can indicate company performance. Meanwhile, when using interactive budgeting, company performance can be affected because interactive budgeting can encourage managers to actively involve themselves in the entire series of company activities, such as decision-making, active discussions, and communication about the opportunities and threats facing the company (Jiao et al., 2023). Then, interactive budgets can provide managers with the information resources they need to improve innovation performance and create a well-resourced work environment for managers, leading to increased dynamic and innovative capabilities (Zeng et al., 2023).

The motivation behind this research is the fact that SMEs often face problems in using budgets, which can affect the efficiency and performance of their businesses. SMEs in Palembang are currently receiving attention because of their potential to go public, but there are still many who have not implemented budget usage properly. This research aims to overcome this knowledge gap and help SMEs allocate funds more efficiently. The novelty in this research lies in the object used, namely SMEs in Palembang City, as well as in the selection of variables that are different from previous research. This research adopts the approach taken by Su et al. (2015) and Chong and Mahama (2014), but with the addition of different moderating and control variables, as well as a focus on different stages of the organizational life cycle. In addition, this research also considers the influence of the use of diagnostic and interactive budgets on product innovation and newness, as shown by Müller-Stewens et al. (2020) who shows that the use of diagnostic budgets can be a useful source of information for activity coordination and managerial decision-making. This research evaluates how the two budget approaches contribute to the innovative capabilities of companies in a different context, namely SMEs in Palembang City. Thus, this research not only fills a literature gap by providing empirical data from an underexplored context but also offers new insights into how diagnostic and interactive budgeting can facilitate innovation processes in smaller, more dynamic organizations.

Hypothesis Development

The Effect of Diagnostic Budget Use on Company Performance

To maintain the company's survival, every company must have a management planning and control design that will be used for the next few decades (Purnama & Asyik, 2020). The management control system used is the budget as a means of providing accurate information regarding a company's expenditures and income so that the company can make accurate plans. According to Handayani and Arianty (2010), the budget is a managerial tool that is able to control the resources available in the company. Use of Diagnostic Budgets (X1), Interactive Budgets (X2) on Company Performance (Y) based on research conducted by Lekatompessy (2011) states that the use of diagnostic budgets becomes a formal feedback system for monitoring company results and correcting activities based on predetermined performance standards for deviations that occur. In research conducted by Hofmann et al. (2012) it is also explained that the diagnostic use of the budget has a positive influence on performance. This refers to the contribution of an efficient and effective budget to achieving goals in an organization. Meanwhile, the effect of interactive budget use on performance is that managers are more able to respect employee ideas and encourage communication in terms of consultation and discussion with employees for the decision-making process.

H_1: *Diagnostic Budgeting has a significant effect on Company Performance in SME Companies.*

The Effect of Interactive Budget Use on Company Performance

Interactive use of budgets encourages managers to involve themselves personally in joint decision-making with their employees, thereby giving rise to initiative and strategy (Simons, 2000). Interactive use of budgets requires more attention and frequent time from managers, and manager involvement is required directly or

face-to-face (Bisbe et al., 2019). Research conducted by Sakka et al. (2013) explains that interactive use of budgets can improve performance when experiencing uncertainty in carrying out tasks but can worsen when task uncertainty decreases. Then, using a diagnostic budget can improve performance when there is uncertainty in carrying out tasks, but it does not reduce high task uncertainty. Su et al. (2015), in their research, show a significant difference between the use of diagnostic budgets and interactive budgets in terms of company performance. Diagnostic use of budgets treats teams and employees by making decisions themselves without a manager. Meanwhile, interactive budget use involves managers in decision-making, not only teams or employees (Simons, 2000).

H_2: *Interactive Budgeting has a significant effect on Company Performance in SME Companies.*

H_3: *There is a significant difference between diagnostic and interactive budgeting for SME companies.*

Methods

Small and medium-sized businesses (SMEs) in Palembang make up the entirety of the study's population. Based on Dinas Koperasi dan UMKM Palembang (2020) there are 155,467 SMEs in the city of Palembang. The sample in this study used Slovin technique, i.e., a formula used to choose an adequate sample size from a population. The formula helps the researcher determine how big of a sample size is required to guarantee the decides level of accuracy. Next, the sample was reduced by selecting a sample, namely SMEs on a small business scale. SMEs on a small business scale can be a valuable focus in research because the use of budgeting, which tends to rarely be practiced in SMEs, can be related to the competitive environment in SMEs, which requires adaptability and strategies for growth. Based on a calculation using Slovin technique to choose the sample selection, the sample size is 100.

Table 1. Sampling Process

No.	Criteria	Elimination	Total
1	All of the Small and Medium Enterprises (SMEs) in Palembang in the 2022 period	0	155.467
2	Managers or business actors and employees of SMEs in Palembang with turnover of IDR 300.000.000 – IDR 2.500.000.000	155.367	100
	Year of observation		1
	Total analysis units		100

Source: (Dinas Koperasi dan UMKM Palembang, 2020)

The Slovin technique formula was used in this study's sample selection process which shown as Equation 1:

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{155.467}{1 + 155.467(0{,}1)^2} = 99{,}3 = 100$$

The number of samples obtained through calculations using Slovin technique resulted in a sample size of 100 samples. The results are considered representative, as proven by existing criteria. The sample criteria are managers, business actors, and employees of MSMEs in the city of Palembang with respective turnovers based on Indonesia Law Number 20 of 2008: for micro-scale businesses, the maximum turnover is IDR 300.000.000 per year; for small businesses, the maximum is IDR 300.000.000-IDR 2.500.000.000; and for medium-scale businesses, IDR2.500.000.000-IDR50.000.000.000.

The purpose of this study is to ascertain differences in the styles of budget use, namely diagnostic and interactive, in Palembang's small and medium enterprises (SMEs). Before testing the hypothesis, it is necessary to carry out a validity test and a reliability test to show that the data used is feasible to process.

Furthermore, the data will be processed by a classical assumption test and multiple regression analysis, followed by statistical tests through a partial test or t test and comparative dependency analysis with Paired t-test. The formulation of the research model is shown as Equation 2:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + e$$

The use of a budget is one of the most important things in a management control system. Implementation of the use of this budget is very necessary for small and large companies. Companies will make plans not only for goals but also for performance. done. The use of a diagnostic budget can encourage employees or time to create better strategy by providing boundaries and direction through performance and innovation in order to organized effectively (Simons, 2000). Next is the use of interactive budget creation. Management's openness with employees or teams so that they feel appreciated for what they have done carried out for companies that are directly involved by managers (Henri, 2006).

Table 2. Operational Definitions

Variables	Definition	Indicator	Previous Research
Diagnostic Budgeting	Diagnostics in budget use is a control system that encourages and directs managers in achieving company goals and will be directly involved if there are high deviations in the budget. This is because employees and teams are equipped with significant influence and independence.	1. Managers use budgets to monitor employee and team progress in setting goals. 2. Managers use budgets to monitor decision-making that occurs with employees or teams. 3. Managers use budgets to compare and expect results from business activities carried out by employees or teams.	(Chong & Mahama, 2014); (Kaveski et al., 2021)
Interactive Budgeting	Interactive budget use is a control system that involves managers in making decisions together with the team.	1. Managers use budgets for active discussions in meetings between managers and employees or teams. 2. Managers use budgets to be involved in dealing with problems that come and preparing plans based on assumptions and information obtained by employees or teams. 3. Managers use budgets to provide the same view as employees or teams.	(Chong & Mahama, 2014); (Müller-Stewens et al., 2020)
Company Performance	Company performance is behavior that will produce a certain output based on the tasks carried out by employees or a team within a company.	1. Profit, sales, and capital targets are achieved. 2. The products produced have high quality. 3. Has a high number of customers. 4. Low employee turnover rate	(Hasanuh & Nawawi, 2016); (Su et al., 2015)

Result and Discussion

The distribution of the research sample data for each variable in a study is outlined using descriptive statistics by examining the average (mean), minimum value, maximum value, and standard deviation. Table 3 displays the findings of the descriptive statistical analysis. In this research, the independent variables used are the use of diagnostic budgets and interactive budgets, and the dependent variable used is company performance.

Table 3. Results of Descriptive Statistical Analysis

Variables		N	Minimum	Maximum	Mean	Std. Deviation
Diagnostic Budgeting	X1_Q1	100	1.00	5.00	3.4700	0.96875
	X1_Q2	100	1.00	5.00	3.5100	0.91558
	X1_Q3	100	1.00	5.00	3.6700	0.80472
	X1_Q4	100	2.00	5.00	3.7900	0.72884
	X1_Q5	100	1.00	5.00	3.8400	0.82536
	X1_Q6	100	1.00	5.00	3.8500	0.83333
Interactive Budgeting	X2_Q1	100	1.00	5.00	3.7800	0.82364
	X2_Q2	100	1.00	5.00	3.6600	0.87870
	X2_Q3	100	1.00	5.00	3.5900	0.91115
	X2_Q4	100	1.00	5.00	3.6000	0.94281
Company Performance	Y_Q1	100	2.00	5.00	3.7500	0.82112
	Y_Q2	100	2.00	5.00	3.7000	0.83485
	Y_Q3	100	2.00	5.00	3.7600	0.88899
	Y_Q4	100	2.00	5.00	4.2100	0.74257
	Y_Q5	100	2.00	5.00	3.9400	0.83871
	Y_Q6	100	1.00	5.00	3.7800	0.95959
Valid N (listwise)		100				

Source: Output IBM SPSS 25, 2024

The validity test is used to measure whether a questionnaire is valid or not. A questionnaire can be said to be valid if it can reveal something to be measured. Validity testing is carried out by testing the correlation between item scores and the total score of each variable. Next, the total of the correlation numbers obtained is compared with the r number in the product moment table. If the r-value is more than (>) r-table, then the questionnaire is declared valid, and vice versa. The following are the results of the validity test of the variables: diagnostic budgeting (X1), interactive budgeting (X2), and company performance (Y). Based on the validity test results in Table 4, it is known that the r-table value for the data is 100, with a 5% significance level of 0,195. It is said to be valid if the r-count is more than (>) the r-table. In this study, all items passed, so all items were declared valid.

Table 4. Validity Test

	Item	r-value	r-table	Validity
Diagnostic Budgeting	X1_Q1	0.558	0.195	Valid
	X1_Q2	0.551	0.195	Valid
	X1_Q3	0.588	0.195	Valid
	X1_Q4	0.544	0.195	Valid
	X1_Q5	0.722	0.195	Valid
	X1_Q6	0.540	0.195	Valid
Interactive Budgeting	X2_Q1	0.655	0.195	Valid
	X2_Q2	0.693	0.195	Valid
	X2_Q3	0.661	0.195	Valid
	X2_Q4	0.682	0.195	Valid
Company Performance	Y_Q1	0.457	0.195	Valid
	Y_Q2	0.531	0.195	Valid
	Y_Q3	0.564	0.195	Valid
	Y_Q4	0.431	0.195	Valid
	Y_Q5	0.567	0.195	Valid
	Y_Q6	0.503	0.195	Valid

Source: Output IBM SPSS 25, 2024

Based on the reliability test outcomes which shown on Table 5, Cronbach's alpha for the data tested showed result of 0,867. This shows that the Cronbach's alpha value is greater than (>) 0.6, indicating that the questionnaire used in this study is reliable.

Table 5. Reliability Test

Cronbach's Alpha	N of Items
0,867	16

Source: Output IBM SPSS 25, 2024

The normality test used in this study is the Kolmogorov-Smirnov test. Based on the test results from Table 6, the asymptotic significance (2-tailed) value obtained is 0,175, which means that the asymptotic significance (2-tailed) value is 0,175 more than (>) the alpha value of 0,05. Moreover, the acquired data is normally distributed.

Table 6. Normality Test

		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	0.000
	Std. Deviation	3.706
Most Extreme Differences	Absolute	0.076
	Positive	0.069
	Negative	-0.076
Test Statistic		0.076
Asymp. Sig. (2-tailed)		0.175

Source: Output IBM SPSS 25, 2024

Furthermore, the VIF value has a value of 1,517 and a tolerance value of 0,659. It can be interpreted that the VIF value obtained is 1,517 less than 10 and the tolerance value obtained is 0,659 greater than 0,1, and there is no multicollinearity from the results of the data tests performed which being presented on Table 7.

Table 7. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
X1	0.659	1.517
X2	0.659	1.517

Source: Output IBM SPSS 25, 2024

Then, using the Glejser test to test heteroscedasticity, the results of the significance value after being tested on cognitive use yielded a value of 0,407 and an interactive budget value of 0,110. This demonstrates that the tested data are not heteroscedastic because the significance value of the two variables is more than (>) 0,05 which shown on Table 8.

Table 8. Heteroscedastic Test

Model	Standardized Coefficients Beta	t	Sig.
(Constant)		2.755	0.007
X1	0.103	0.833	0.407
X2	-0.199	-1.613	0.110

Source: Output IBM SPSS 25, 2024

It is known that the significance value for the influence of diagnostic budget use on company performance is 0,160 > 0,05, and the t- value is 1,416 < t-table 1,991. It is stated that H1 is rejected, which means there is no influence of diagnostic budget use on company performance. Then, for the second hypothesis, it is known

that the significance value for the effect of interactive budget use on company performance is 0,339 > 0,05 and the calculated t-value is 0,961 < t-table 1.991. It is stated that H2 is rejected, which means there is no influence of interactive budget use on company performance. The outcomes of the H1 and H2 testing are shown in Table 9.

Table 9. Multiple Linear Regression Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	17.098	2.361		7.241	0.000
X1	0.179	0.126	0.171	1.416	0.160
X2	0.143	0.148	0.116	0.961	0.339

Source: Output IBM SPSS 25. 2024

It is said that H_1 is rejected, which indicates that there is no diagnostic influence of budget use on company performance. The use of a diagnostic budget has no significant effect on company performance; the findings of this study are consistent with studies done by (Sakka et al., 2013); (Yetano et al., 2021). This is due to the implementation of the budget that is used passively between managers and teams in SMEs. In this case, SMEs own and use the budget, but the budget is not utilized as a guide for making decisions or achieving the goals that have been set. Contrary to the contingency hypothesis, which explains, that continence is a tool for evaluating organizational performance in planning and carrying out business activities such as the use of budgets. Its passive use of the budget diagnostically that gives the contrast. The performance of a company can be impacted by the diagnostic and interactive use of budgets, but the suitability of budget use depends on its application.

The result also applies on H_2 that is being rejected, which indicates that there is no interactive influence of budget use on company performance. This is because the interactive budgeting needs to be adjusted to the conditions of each company that affect performance. In addition, the use of the budget is not used as a reference with a predetermined strategy. In line with the contingency theory, the effectiveness of company performance can be seen in the company's performance in meeting the needs of the MCS contained in the company (Jesmin Islam, 2012). This study contrasts with studies by Jiao et al. (2023), which states that the diagnostic and interactive uses of budgets have a significant effect on company performance.

Table 10. Independent Sample T-Test

		Levene's Test for Equality of Variances				
		F	Sig.	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Result	Equal variances assumed	1.425	0.234	0.000	7.50000	0.48206

Source: Output IBM SPSS 25, 2024

Different results are shown in Table 10, which shows the results of the independent sample t-test used to test the third hypothesis. Based on this output, the Sig value is known. Levene's Test for Equality of Variances is 0,234 > 0,05 so it can be interpreted that the data variance between the Diagnostic Budgeting and Interactive Budgeting sections is homogeneous or the same. Then the next column outputs the Sig value. (2-tailed) of 0,000 < 0,05 can be interpreted as the result for testing H3, where it can be concluded that H3 is accepted. With that in mind, it can be concluded that there is a significant difference between the average implementation of diagnostic budgeting and interactive budgeting. So, it can be inferred that the diagnostic and interactive uses of the budget differ significantly from one another.

The results of the study indicate that diagnostic budgeting is greater than interactive budgeting in SMEs; this result can be seen in Table 11, which shows group statistics on how each variable is compared to each other.

The differences that occur are supported by previous study conducted by (Su et al., 2015). This difference lies in the varying design characteristics. Diagnostic use of budgets is a useful source of information for coordinating activities and a forum for managers to make decisions (Müller-Stewens et al., 2020). Meanwhile, the interactive use of budgets can lead to communication and discussion between individuals, which will result in innovation and an increase in competitive advantage for the company (Henri, 2006). Diagnostic use of budgets is more widely used than interactive budget use, as supported by research conducted by (Frezatti et al., 2017); (Yetano et al., 2021); (Bisbe et al., 2019). This is because the budget can be used to diagnostically monitor and implement the impact of an activity carried out by the company and evaluate deviations from a predetermined strategy. In this case, the use of a diagnostic budget adjusts individual behavior to meet predetermined goals. Meanwhile, the interactive use of budgets must involve managers or business actors directly by creating communication and discussion.

The purpose of this study is to analyze the effect of using budgets in a diagnostic and interactive way on the performance of companies owned by SMEs in the city of Palembang. The outcomes of this study show that the use budget in a diagnostic way and the usage budget in an interactive way have no significant effect on the performance of the company. Diagnostic budgeting shows there is no significant effect on company performance; the findings of this study are consistent with studies done by (Sakka et al., 2013); (Yetano et al., 2021). This is due to the implementation budget being used in a passive manner between managers and teams in SMEs. In fact, SMEs own and use budgets, but budgets are not referred to in determination decisions or achievement goals that have been set. Budget usage in a manner that is neither diagnostic nor interactive to influence the performance of a company but return again in context for its suitability before using budget in its application. Same thing with using budgets in a manner interactive. Using budgets in a manner interactive has no significant effect on performance companies. This is caused by the usage budget in a manner that is interactive and needs to be customized with the conditions of each influential company's performance. Besides that, budget usage does not align with the strategy that has been set. In line with the theory of contingency, the effectiveness of performance companies can be seen in their ability to fulfill the need for system controller management in the company (Jesmin Islam, 2012). This study is contrary to research by (Jiao et al., 2023), which states that neither using a budget in a diagnostic manner nor using a budget in a interactive manner has a significant effect on company performance.

There is a significant difference between use budget in a manner diagnostics and use budget in a manner interactive. Research results obtained use budget in a manner diagnostic bigger used in comparison use budget in a manner interactive on SMEs. The difference that occurred is supported by previous study conducted by (Su et al., 2015). The difference lies in the characteristics of the varied designs. Budget usage in a diagnostic manner become source useful information for coordinate something activity and being receptacle for manager in take decision (Müller-Stewens et al., 2020). Temporary it on a usage budget in a manner that is interactive can cause communication and discussion between individuals who will produce innovation and improvement to make the company more competitive (Henri, 2006). Budget usage in a diagnostic manner being more used compared to with budget usage in a interactive manner supported by research conducted by; (Yetano et al., 2021); (Frezatti et al., 2017); (Bisbe et al., 2019). This has caused because budget usage in a diagnostic manner can monitor and implement impact from something activities carried out by the company and evaluate from deviations that occur from strategy that has set. In this use of budget, diagnostics, and behavior adaptation, individuals with goals that have been set are considered. Temporarily, use of budget in a manner that is interactive and must involve the manager or perpetrator business in a manner that is direct and creates communication and discussion.

Conclusions

This study aims to analyze the effect of diagnostic budgeting and the effect of interactive budgeting on company performance. The research sample used in this study was SMEs in Palembang City, with a total sample size of 100. The results of this study indicate that diagnostic and interactive budget use have no effect on company performance. This is since the budget in SMEs is not used as a reference in determining goals or targets to be achieved or in making decisions. The budgeting needs to be adjusted to each company and

the internal characteristics of the activities of each company, which can have a direct effect on performance. However, the use of the budget must be complementary and balanced with the need for adjustments to the style of use of the diagnostic and interactive budgeting. In addition, the diagnostic budgeting has a greater effect than the interactive budgeting. This study provides an understanding of the effect of using budgets diagnostically and interactively on the effect of budgeting on company performance. It is hoped that further research can further develop other variables and research objects. Future research can use other independent variables, such as innovation and life cycle organization.

References

Bisbe, J., Kruis, A.-M., & Madini, P. (2019). Coercive, enabling, diagnostic, and interactive control: Untangling the threads of their connections. *Journal of Accounting Literature*, *43*(1), 124–144. https://doi.org/10.1016/j.acclit.2019.10.001

Chong, K. M., & Mahama, H. (2014). The impact of interactive and diagnostic uses of budgets on team effectiveness. *Management Accounting Research*, *25*(3), 206–222. https://doi.org/10.1016/j.mar.2013.10.008

Dinas Koperasi dan UMKM Palembang. (2020). *Pemerintah Kota Palembang Rencana Kerja Dinas Koperasi dan UKM Kota Palembang 2022*.

Frezatti, F., de Souza Bido, D., da Cruz, A. P. C., & Machado, M. J. C. (2017). Impacts of interactive and diagnostic control system use on the innovation process. *BAR - Brazilian Administration Review*, *14*(3). https://doi.org/10.1590/1807-7692bar2017160087

Guenther, T. W., & Heinicke, A. (2019). Relationships among types of use, levels of sophistication, and organizational outcomes of performance measurement systems: The crucial role of design choices. *Management Accounting Research*, *42*, 1–25. https://doi.org/10.1016/j.mar.2018.07.002

Handayani, S., & Arianty, N. (2010). Pengaruh Anggaran Partisipatif Melalui Budaya Organisasi, Gaya Manajemen dan Motivasi Kerja Terhadap Kinerja Manajerial Dan Kepuasan Kerja. *Jurnal Riset Akuntansi Dan Bisnis*, *10*(1), 104–117.

Hasanuh, N., & Nawawi, A. (2016). Pengaruh Pengendalian Diagnostik Terhadap Kinerja Karyawan (Studi Kasus Pada PT. Bravo Satya Kencana Karawang). *Accounthink : Journal of Accounting and Finance*, *1*(01). https://doi.org/10.35706/acc.v1i01.441

Henri, J. F. (2006). Management control systems and strategy: A resource-based perspective. *Accounting, Organizations and Society*, *31*(6), 529–558. https://doi.org/10.1016/j.aos.2005.07.001

Hofmann, S., Wald, A., & Gleich, R. (2012). Determinants and effects of the diagnostic and interactive use of control systems: an empirical analysis on the use of budgets. *Journal of Management Control*, *23*(3), 153–182. https://doi.org/10.1007/s00187-012-0156-9

Jesmin Islam. (2012). A review of literature on contingency theory in managerial accounting. *AFRICAN JOURNAL OF BUSINESS MANAGEMENT*, *6*(15). https://doi.org/10.5897/AJBM11.2764

Jiao, L., Harrison, G., & Chen, J. (2023). Revenue growth in not-for-profit organisations: The effects of interactive and diagnostic controls and organisational culture. *Accounting & Finance*, *63*(2), 2273–2294. https://doi.org/10.1111/acfi.12960

Kaveski, I. D., Beuren, I. M., Gomes, T., & Lavarda, C. E. (2021). Influence of the Diagnostic and Interactive Use of the Budget on Managerial Performance Mediated by Organizational Commitment. *Brazilian Business Review*, *18*(1), 82–100. https://doi.org/10.15728/bbr.2021.18.1.5

Lekatompessy, J. E. (2011). *Peran Sistem Pengendalian Manajemen dalam Meningkatkan Kinerja Perusahaan: Analisis Kontijensi dan Resource-Based View*. [Thesis (PhD)]. Universitas Diponegoro.

Mubarok, A., & Faqihudin, M. (2011). *Pengelolaan Keuangan untuk Usaha Kecil dan Menengah* (1st ed., Vol. 1). Suluh Media.

Müller-Stewens, B., Widener, S. K., Möller, K., & Steinmann, J.-C. (2020). The role of diagnostic and interactive control uses in innovation. *Accounting, Organizations and Society*, *80*, 101078. https://doi.org/10.1016/j.aos.2019.101078

Purnama, R. A., & Asyik, N. F. (2020). PENGARUH PARTISIPASI PENYUSUNAN ANGGARAN TERHADAP KINERJA MANAJERIAL DENGAN KOMITMEN ORGANISASI VARIABEL Moderating. *Jurnal Ilmu Dan Riset Akuntansi*, *9*(11).

Sakka, O., Barki, H., & Côté, L. (2013). Interactive and diagnostic uses of management control systems in IS projects: Antecedents and their impact on performance. *Information and Management*, *50*(6), 265–274. https://doi.org/10.1016/j.im.2013.02.008

Simons, R. (2000). *Performance Measurement & Control Systems for Implementing Strategy Text and Cases*. Prentice Hall.

Simons, R., Anthony, R., Argyris, C., Bower, J., Christensen, C., Christiansen, E., Eccles, R., & Stevenson, H. (1990). *The Role Of Management Control System In Competitive Advantage: New Perspectives. In Organizations and Society* . *15*(112).

Sponem, S., & Lambert, C. (2016). Exploring differences in budget characteristics, roles and satisfaction: A configurational approach. *Management Accounting Research*, *30*, 47–61. https://doi.org/10.1016/j.mar.2015.11.003

Su, S., Baird, K., & Schoch, H. (2015). The moderating effect of organisational life cycle stages on the association between the interactive and diagnostic approaches to using controls with organisational performance. *Management Accounting Research*, *26*, 40–53. https://doi.org/10.1016/j.mar.2014.09.001

Yetano, A., Matsuo, T., & Oura, K. (2021). Diagnostic and Interactive Use of PMM by Japanese Local Governments: Does the Context Affect the Fitness of Use? *Public Performance & Management Review*, *44*(1), 28–57. https://doi.org/10.1080/15309576.2020.1817108

Zeng, X., Zhang, N., Chen, L., & Zhang, W. (2023). The Impact of Interactive Control in Budget Management on Innovation Performance of Enterprises: From the Perspective of Manager Role Stress. *International Journal of Environmental Research and Public Health*, *20*(3), 2190. https://doi.org/10.3390/ijerph20032190