

***CROSS-CULTURAL IMPACT ON THE BUDGETING CYCLE: AN
EMPIRICAL COMPARISON BETWEEN ANGLO-AMERICAN AND LIBYAN
COMPANIES OPERATING IN THE LIBYAN OIL SECTOR***

Submitted in fulfilment of the degree of
Doctor of Philosophy

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CERTIFICATION OF DISSERTATION

I certify that the ideas, results, analyses and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

Signature of Candidate

Date

ENDORSEMENT

Signature of Supervisor/s

Date

Signature of Supervisor/s

Date

DEDICATION

In remembrance of my father and my brothers, Mansur and Ali,
God bless and keep them.

For the one without whose prayers and support this would not
have been possible, my *mother*.

And to all my family.

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ABSTRACT

The Libyan oil industry is a perfect showcase of the impact of globalization and changes in economic, political and cultural integration on the modern business environment. A member of OPEC and owner of the largest oil reserves in Africa, Libya attract foreign investment from a diverse range of countries for exploration, production, transportation, and refining of oil. The Libyan oil industry has exploration and production sharing agreements with companies from, or including as one of its exports customers, countries such as Italy, the United States of America, the United Kingdom, Canada, Australia, Japan, China, Brazil, France, Germany, and Spain. To extend the findings of previous research on the impact of human behaviour on budget processes in accounting, this dissertation examines the impact of culture on organizational budget setting processes, using the diverse multicultural backdrop of the Libyan oil industry to contextualize the contemporary global business environment.

The impact of human behaviour on budget processes in an organization is a well established research stream in the accounting discipline. This topic is enjoying renewed interest in the contemporary business environment as globalization is causing the rapid integration of economic, political and cultural systems across the globe. The management of external and internal environment differences is imperative for multinational companies operating in the global arena. In particular, the management of individual employees' cultural differences represents a substantial challenge for management at every level of the organization, including the preparation, control and revision of budgets by groups of people from differing cultures.

While there has been much investigation into cultural differences between countries and the impact this has on business relationships, less attention has been paid to the challenges that arise from having a multi-cultural workforce within an organization. In the accounting discipline researchers have investigated the influence of culture on budgeting and budgeting processes in manufacturing and service industries and have identified the need for managers to adapt practices according to localized conditions. This is critical in terms of maintaining their legitimacy and acceptance as perceived by local stakeholders. The most influential obstacle that prevents harmonization in organizational budgeting is

often related to culture or, more specifically to the impact of cultural differences on employees involved in the process.

It is generally assumed that companies within the same industry prepare their budgets with similar goals in mind i.e. to achieve business goals. However, it is not clear to what extent cultural differences like those that surround employees in Libyan and Anglo-American companies operating in the Libyan oil industry, impact on the preparation, control and revision of budgets. The question posed by this study is “*How and to what extent do societal cultural dimensions affect the budgeting process undertaken by Libyan and Anglo-American companies operating in the Libyan oil sector*”? The study examines individual cultural differences using Hofstede’s (2005) four dimensional model, to understand how and to what extent specific budgeting behaviour can be attributed to cultural differences.

This study applied a mixed-method research design using quantitative and qualitative approaches to determine the differences between local and Anglo-American companies in terms of their budgets and budgeting processes. Aspects of budgeting include participation, voice, explanation, creating slack in budgets, use of rolling budgets, use of flexible budgets, use of budgets for rewards, evaluating performance using variances, actions towards unfavourable variances, and attitude towards budgets. The contribution of the study is in providing new evidence to support the impact of societal culture on voice and explanation in budgeting setting generally and specifically demonstrating the impact of societal culture on other aspects of budgets and budgeting processes in the Arab context which is important in the global oil and gas industry. The results also reveal that Libyans who are working in Anglo-American companies continue behaviours associated with their own culture which manifests itself through their participation, voice and explanation in the budgeting processes. The finding of the study in the Libyan oil sector supports Hofstede’s (2005) cultural dimensions.

Publications arising from this Dissertation

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Chapter 1 Introduction

Background

When individuals join an organization or institution they carry with them their beliefs, values, attitudes, norms, conflicting feelings, traditions, prejudices, and cultures. They have different thoughts and attitudes with respect to the same management practices (Tsui 2001). Ball et al. (2008, p. 143) argue that “Every culture has a set of attitudes and beliefs that influence nearly all aspects of human behaviour and help bring order to a society and its individuals”. These will influence, underlie, and shape managers’ and employees’ ways of behaviour, cognitive processes, recognition, perception, expectation, and understanding of various circumstances and events related to work and others (Griffin et al. 2010; Prabhu 2005; Sengupta et al. 2005; Weijermars et al. 2008). Understanding individuals’ attitudes, beliefs, values, norms, and culture is of paramount importance. It facilitates and enables managers dealing with different individuals of various cultures to know and understand why they behave in a certain way or as they do. This assists in maintaining the high morale and motivation of individuals in order to achieve an organization’s goals. It also enhances the efficiency of business processes especially in multinational companies where the diversity of the workforce is expected to be pervasive (Mendonca et al. 1996).

When communication occurs across cultural boundaries, managers should learn verbal and nonverbal language when communicating with people to avoid miscommunication and misunderstanding. This is because both senders and the receivers encode and decode information when they communicate by using different cultural filters (Griffin et al. 2010; Zaharna 1995). Some hand gestures and facial expressions can have two or more meanings in two different cultures. For example, a person nodding their head in the USA means they agree while it means that they disagree in Bulgaria (Griffin et al. 2010). Time also fosters different attitudes from culture to culture; for example, in Anglo-Saxon cultures time is money and people expect meetings to start on time. In an Arabic culture meetings may start later than the arranged time because they may be interrupted by family

or friends. In Japanese and Arabic cultures the first meeting is considered to be for the purpose of working out if the two parties can work together and trust each other rather than considering a business proposal. This is because these cultures place a high level of importance on personal relationships and consider time to be part of understanding the characteristics of the other business partner (Griffin et al. 2010). As a further example, there were cultural misunderstandings between the Japanese headquarters of Mitsubishi and the Australian CEO over the issue of the Japanese decision to close the Adelaide car plant which made headlines in Australia in the first half of 2008. The Australian CEO failed to read Japanese cultural “signals” intuitively. As a result he was unaware that the decision to close the plant had been made in Japan a long time beforehand (Yee. et al. 2008).

As a consequence of globalization, there has been considerable research interest in understanding the impact of culture on the business environment (Collins et al. 2005; Douglas et al. 2007; Honold 2000; Wu 2005). Hofstede (1983, p. 75) states that “Twenty or even 10 years ago, the existence of a relationship between management and national cultures was far from obvious to many, and it may not be obvious to everyone even now”. Garrison, Noreen and Brewer (2006) identified that there have been tremendous changes in the business environment over the last two decades in terms of cultural diversity. There has been an increase in competition and innovation which has become universal in most industries. Furthermore, in the past two decades, there have been considerable concerns about the influence of culture on many aspects of an organization. These concerns are typically on account of changes in the business environment and the variety of organizations and workplaces (Erez, 1994 as cited in Aycan 2000; Miroshnik 2002). Weijermars, de Jong and van der Kooi (2008, p. 19) argue that “Modern business management must address cultural diversity and requires trans-cultural competence, using communication, empathy and creativity”.

Recently, researchers have acknowledged that managers see national differences between overseas customers as significant but they do not consider this with respect to people within their own business (Miroshnik 2002; Wu 2005). Recognizing cultural differences is important for managing international corporations especially and disregarding these differences is unproductive and short-sighted leading to the marginalization of talent in multinational corporations (Miroshnik 2002; Radebaugh et al. 1997). Tsui (2001, p. 126)

argues that “As a result, management control tools and management practices found to be effective in one environment could be ineffective or even dysfunctional in another environment”.

Multinational companies operating globally usually bring into the host country some positive changes such as their management practices and technology, introducing new products and services previously unavailable. They also can exert a major influence on the culture by raising local standards of living and societal expectations. As a result people in the host cultures develop new norms, standards, and behaviours, especially in developing countries (Griffin et al. 2010; Sauers et al. 2009). On the other hand, Jain and Verma (1996) argue that there are some changes that are not positive. Cultural differences can lead to increased costs through communication breakdowns, high turnover rates, and interpersonal conflict. In addition, there can be confronting dilemmas involving cultural differences and tension between employees in a local environment as well as pressures from head office.

Multinational companies face many problems when preparing budgets in different countries because of variations in economic conditions, government regulations, and cultures. Therefore, they must be aware that the management practices they are using in one culture may need to be modified for use in other cultural contexts (Douglas et al. 2005; Enshassi et al. 1991; Furnham et al. 1993; Garrison et al. 2006; Merchant et al. 1995). Managers who work in multinational companies should note any cultural differences between countries’ operating environments. For example, Muslim people consider religion as an important part of their lives and businesses. In southern Russia fortune telling and ghosts are crucial elements in peoples’ lives. Seventy three years of communist rule was not able to nullify the power of such beliefs. Therefore, understanding these differences can help managers to deal with cultural differences (Miroshnik 2002). Douglas et al. (2007) identify the differences in behaviour between Egyptian and American employees and argue that their findings support the notion that management behaviour is embedded in culture.

Each environment has a different culture which requires different managerial behaviours, strategies, organizational structures, planning, and control. What is appropriate to a certain culture may not be appropriate for another (Miroshnik 2002; Osland et al. 2000). Arab countries’ and Anglo-American countries’ management practices are different in

their style and orientation. Arab managers generally follow and obey rules, regulations and customs instead of exercising their own professional judgments, particularly under authoritarian regimes (Atiyyah 1993). Ali (1990) finds that in Arab management, obedience and submissiveness are rewarded while creativity and original thinking are condemned. Yasin and Stahl (1990) attribute this to the lack of democracy in Arabian culture, media control by government, and non-existence of free elections. All of these lead individuals to a feeling of institutional powerlessness. Bjerke and Al-Meer (1993, p. 30) state that “as in other nations, Arab managers do not exist in an economic or social vacuum. They are heavily influenced by society’s social structure and by the values, norms and expectations of its people”. In Arab countries, family and friendship are significant aspects in the operation of foundations and groups (Bjerke et al. 1993). Yasin and Stahl (1990) argue that Arab culture is traditional and interrelationship oriented because of influences from family and religion. Arab management styles that are employed to achieve motivation reveal different patterns to that displayed in Anglo-American culture, which is more power-and achievement-oriented. On the other hand, Western managers’ loyalties and obedience are driven by their professional judgments regarding profitability and personal financial rewards. Individualism and the Protestant work ethic are the basis for high achievement in Western societies (Ali 1993; Weber 1965; Yee et al. 2008). Employees and their organizations do not operate in isolation from their societal environment (Tayeb 1997); employees retain their values, behaviours, attitudes, religions, and backgrounds as cultural foundations in the workplace. This may influence their way of operating, managing, and performing.

The interaction between workers and supervisors occurs in the workplace. In this context different preferences will manifest themselves especially where different cultures come together in organizations that operate internationally (Bing 2004). This is particularly the case in relation to activities around social interrelations, especially in terms of budgeting which involves a variety of activities and human reactions. Milani (1975) argues that the human dimensions of budgeting are of paramount importance to budgeting because a budget does not exist without people. Budgets are prepared, controlled, and revised by people to facilitate the management function. Budgets and budgeting are influenced by employees’ behaviours (Milani 1975). When organizations (especially multinational corporations) operate in different countries or have subsidiaries overseas management should understand the importance of these human cultural aspects when dealing with

budgets and budgeting. Paláu (2001) also argues that the most influential obstacle that prevents harmonization in organization budgeting is often related to culture or, more specifically to cultural differences.

Budgetary processes are one of the most important aspects that multinational corporations need to pay attention to because these appear to be critical to an organization's successes. This is especially so for those whose workplaces are global and culturally diverse. For example, Ueno and Sekaran (1992) find that USA companies working in Japan have difficulties in effectively dealing with cultural diversity and practices and vice versa.

There are many challenges including the important impact of heterogeneous cultural, institutional, and organizational contexts facing multinational companies in which foreign subsidiaries operate globally. Managers responsible for these companies' local operations are expected to *adapt* practices according to localized conditions in order to maximise productivity. This is critical in terms of maintaining their legitimacy and acceptance as perceived by local stakeholders (Sauers et al. 2009; Van der Stede 2003). This situation is common in the extractive industries, most notably oil and gas. There has been an increase in energy demand especially for oil and gas, which increased widespread search and production of oil and gas by multinational corporations internationally. Multinational companies operating in the oil industry encounter formidable managerial challenges that stem from multicultural workforces. The challenges of these cultural differences are not far from obvious or new to such companies. Globalization however, has intensified them (Weijermars et al. 2008).

Most comparative studies about the influence of culture on budgets have focused on Anglo-American and Eastern companies. Research has investigated the impact of national cultural diversity on budget practice in Asia, America and Europe (Lau et al. 2000). In contrast Arab and African countries have largely been overlooked. Libya is the largest African supplier of crude oil and gas to Anglo-American countries so it will be suitable to study the effect of culture on budgeting within this industry in Libya (Al-Hengari et al. 2007; Hafner 2002).

Statement of the problem and the purpose of the study

Anglo-American countries and Libya are culturally different in many respects. These differences include religion, predominant ethnic groups, language, political and economic systems, traditions, attitudes and external environments. In intercultural studies, there is a tendency to assume that Anglo-American and Arab cultures are dialectical cultural opposites (Yasin et al. 1990; Zaharna 1995). Few recognise the similarities or assimilations of these cultural groupings. Employees working in these companies within these culturally diverse contexts have different languages, education systems, management styles, backgrounds, and possibly values. According to Hofstede (2001) workers from different cultures behave differently in managing their businesses including budgets. Hofstede (1991) also notes that culture impacts on a person's views on many topics, including significantly, the budgeting process.

It is generally assumed that both Libyan and Anglo-American companies prepare their budgets with similar goals in mind in order to achieve their business goals (Bart 1988). However, it is not clear that companies operating in the Libyan oil sector follow similar procedures and techniques in developing their budgets and in their budgeting processes. The question that arises in this study is therefore *“how and to what extent do societal cultural dimensions affect the budgeting process undertaken by Libyan and Anglo-American companies operating in the Libyan oil sector”*?

This study re-visits the current understanding of how and to what extent specific budget aspects and budgeting processes can be attributed to societal cultural dimensions. The study uses the societal cultural dimensions identified by Hofstede (2001) in order to determine the similarities and differences between local and Anglo-American companies operating in the Libyan oil and gas industry in terms of their budgets and budgeting processes. The study further seeks to explain to what extent they are similar and different. Prior studies (Bailes et al. 1991; Douglas et al. 2007; Ueno et al. 1992) tend to stop at descriptions of cross-country differences in budgeting practices (Yee et al. 2008). By contrast, this study goes one step further by *explaining* observed differences in terms of cultural theory.

The Libyan setting as a back ground to the study

1.3.1 Location and brief history

Libya is an Islamic, Arab country with a total population of approximately six million. Arabic is the official language with English and Italian used in trade (Ahmad et al. 2004; Oxford 2008). Libya joined the Organization of Petroleum Exporting Countries (OPEC) in 1962 and its economy is heavily dependent on oil revenue (Otman 2008; St John 2003; Yahia et al. 2008). Oil revenue represents more than 95 percent of Libyan export income, contributing 60 percent to the annual GDP during the period 1963-2006 (Heitmann 1969; Yahia 2008b). Libya is considered to have the largest proven oil reserves in North Africa and holds 3.34% of the world's reserves. The country is a major oil producer and one of Europe's biggest North African suppliers (international services) since it is located nearer to European markets than its other competitors in the Middle East (Stjohn 2007).

Libya is a significant geopolitical force in the heart of North Africa with a landmass in excess of 1.7 million square kilometres. It is bordered by the Mediterranean Sea to the north, Egypt and Sudan to the east, Tunisia and Algeria to the west, and Chad and Niger to the south. A significant geological feature of Libya is its onshore oil fields near to the coast and close to Europe. The natural flow of oil towards the sea has helped Libya to produce oil relatively cheaply as compared to many other producers. Its location between the developed economies in the West and growing economies of North Africa has enabled it to reduce transport costs, thus increasing the significance of its supplies to the oil market (Yahia 2008a).

However, throughout its long history this geological feature has exposed the country to foreign invasion including that by the Ottoman Empire, which controlled the area from 1750-1911. This was followed by Italian occupation 1911-1945 and subsequently by British and French invasions. The country obtained its independence on 24 December 1951 (Clarke 1963; Rahma 1999). The first locally-constituted government was a monarchy, under King Idriss 1951-1969. Thereafter, it became the Republic of Libya or Socialist People's Libyan Arab Jamahiriya and remain so for four decades (Bakar et al. 1999).

In the pre-oil economic era, the country was considered among the poorest in the world. The economy suffered from shortages in minerals, water and human resources as well as being subject to a severe harsh climate with limited arable land. Eighty percent of the country is desert (Ministry of Agriculture 1971). In 1959 the United Nations appointed the economist Benjamin Higgins to draw up a plan for the economic and social development of Libya. He made the somewhat harsh observation that “If Libya can be brought to a stage of sustained growth, there is hope for every country in the world” (Higgins 1959, cited in Gurney 1996, p. 2).

From the Ottoman administration up until the 1950s nomads and semi-nomads were the majority of the population (Rahma 1999). In the 1950s the population consisted of approximately one million inhabitants with a literacy rate of less than 10% mostly living in the arid or semi-arid Sahara (Clarke 1963). The average income per person was less than US\$35 per year. Agriculture, handicrafts and pastoralism were the essential primary products of the country although this was supplemented by aid which came from the United Nations, USA, UK, France and Italy. The aid received generally insufficient and failed to have a significant impact on the economic upliftment of Libya. Heitmann (1969, p. 249) stated that “Libya seemed destined for an existence of continued dependence upon foreign assistance”.

Until the discovery of oil in 1951, Libya’s history was marked by severe levels of poverty. Despite the discovery of oil reserves, beneficial effects were slow to develop due to a lack of production and exports. This was primarily caused by a shortage of capital and expertise in management and accounting fields. The latter was caused, in part, by academic underdevelopment in the country (Clarke 1963). There were just 16 students who graduated from universities in 1949, and no citizen in the country had a PhD (Abouzied 2005; Gurney 1996). The industrial sector was undeveloped and there was a scarcity of capital and skills to manage it.

An open door policy was followed by the Libyan Government in the 1950s. The Libyan Petroleum Law of 1955 No.25 was the first law to establish a framework for comprehensive oil legislation (Otman 2008). The petroleum law was tolerant and generous in order to attract and encourage international oil companies to invest in the oil industry and conduct further exploration. This was followed by fast development of upstream activities in the Libyan oil sector (Abouzied 2005; Mahmud et al. 2002; Otman

2008). Apparent success of the policy inspired the Libyan Government to spend considerable amounts of money at that time. The first extraction of oil in Libya was January 1, 1958 at Atshan in the Fezzan with 250,663 barrels per day (Clarke 1963). On 12 September 1961, Libya entered the international petroleum market and the first shipment of oil left from Esso Standard's new terminal at Port Brega to arrive in Britain at the Fawley refinery (Clarke 1963).

The history of Libya is marked by its independence in 1951 and the period subsequent to 1961. Prior to 1951 the country faced its severest levels of poverty, dependence on foreign aid and foreign domination (Ahmad et al. 2004). From 1961, the country saw its first exports of oil and the reduction of its reliance on foreign aid (Ahmad et al. 2004; Clarke 1963). Ten years later Libya became one of the world's major oil exporting nations. It became the fourth largest producer in OPEC with approximately seven per cent of the world's oil production (Heitmann 1969; Otman 2008). The production of oil considerably increased from 1961-1970, then dramatically declined till 2005 before increasing again marginally (Otman 2008).

1.3.2 Libyan oil history

From ancient times oil has been used in various ways. Oil was known to the Babylonians 5000 years ago and is mentioned in Greek texts 2400 years ago. However, Romanians produced 2000 barrels in 1857. The first discovery in modern times was in USA by General Drake in Pennsylvania in 1859 (Aroweni 2008).

Although oil was produced in the mid-1870s it became widely used as a raw material only later (Westing 1986). It is considered to be the world's first resource used to generate power. It has become the largest contributor to the national incomes of oil producing countries. In 1970, oil and gas represented 43.1% and 15.1%, respectively of the power used in the world (Aroweni 2008). The oil industry uses large amounts of financial capital and it is difficult to enter or exit the industry (Otman 2008). The oil sector also requires experienced professionals from different specializations (Weijermars et al. 2008).

The first discovery of oil in the Middle East was in Iran in 1900. In the Arab world, oil was discovered after World War I and exports of oil started in 1927 from Iraq, then Bahrain (1932), Saudi Arabia (1938), Qatar (1940), Kuwait (1946), Oman (1965), Algeria

(1957), and Libya (1961) (Aroweni 2008). The Middle East holds about two-thirds of the proven reserves of oil in the world and approximately 41% of the gas reserves.

Libya, however, did not have enough capital to exploit its oil which resulted in delays and also hindered the development of oil discovery. Thus, foreign companies were encouraged to invest. Although exploration for oil in Libya started after World War II the most important exploration commenced in 1955 when permission was given to nine companies to conduct geological surveys (Clarke 1963). Companies were attracted by the relative political stability of Libya and by the concessionary agreements whereby oil companies paid the Libyan Government an initial fixed payment to obtain concessions. The Government took a share of 50 percent of net income based on prices determined mainly by oil companies. Consequently, the discovery and exploitation of oil in Libya was accomplished mostly by foreign interests that brought investments and technological skills and the oil produced went to foreign markets (Heitmann 1969). Moreover, the agreement allowed companies the privilege of awarding price discounts to their customers. Oil companies were also allowed a 25 per cent reduction allowance (Mahmud et al. 2002). Amendments to the agreement occurred in 1961 so that the 50-50 split was based on the posted price (Clarke 1963).

The Libyan Revolution Government of 1969 adopted a conservation strategy to reduce production. On the other hand, it maximised revenue by increasing the price and tax rates per barrel to develop upstream and downstream activities. Over 1971-73, nationalization and participation measures were undertaken by the Libyan Government to establish Libya as the third major Arab country producer after Algeria and Iraq (Mahmud et al. 2002). The nationalization of the Libyan oil sector led to the establishment of National Oil Corporation (NOCL) in November 1970. The NOCL (an association) manages the Libyan oil sector through local and international oil companies (Al-Hengari et al. 2007). Agreements about exploration licences in Libyan oil sector, under the Libyan Exploration and Production Agreement between NOCL and international oil companies, gave the NOCL a holding of at least 51 per cent of these companies (EPSA-I in 1974, EPSA-II 1979, EPSA-III 1988 and EPSA-IV 2004). The USA was the major importer of Libyan oil products from 1962 to 1980s (Otman 2008).

There were four reasons behind the decline of production of Libya oil from 1970 (Otman 2008).

- a) Production regulations implemented by the Libyan Government were unfavourable to oil companies, who found the transfer from concessionary terms favoured by international companies to participation terms unattractive (Mahmud et al. 2002);
- b) The perceived high political and contractual risks associated with Libya;
- c) The focus by international oil companies on expanding areas of new discovery; and
- d) Sanctions were imposed by USA and UN which denied access to the latest technology by the Libyan oil sector.

In the 1980s the USA imposed an embargo against Libya which ended American purchases of Libyan crude oil and led to the withdrawal of Exxon and Mobil from the country. By 1986, these sanctions required all American companies to withdraw from Libya and reduce the numbers and levels of staff at the Libyan diplomatic missions. Libyan assets in USA banks were frozen (Mahmud et al. 2002; Otman 2008; Yahia et al. 2008). Hufbauer, Schott and Oegg (2001, p. 5) state “In 1992, the UN Security Council imposed an arms embargo on Libya and prohibited all travel to and from Libya. A year later, the UN banned the sale of petroleum equipment to Libya and froze all nonpetroleum-related Libyan government assets abroad”. This was a resolution from UN Security Council that added to general sanctions imposed on the Libyan Government by the USA, according to resolution 748 of the UN (Mahmud et al. 2002; Yahia et al. 2008).

NOCL established EPSA-III 1988 was designed to attract Western companies. The UN sanctions and the USA Iran Libya sanctions made non-US companies reluctant to invest in the Libyan oil sector because of the fear of USA penalties. This led to significant decreases in investments from European and USA companies in the Libyan oil sector with upstream and downstream activities in the Libya oil sector being seriously affected (Otman 2008).

All of this caused the Libyan economy to suffer for a long period of time. Yahia and Saleh (2008) conclude that these sanctions resulted in negative effects on non-Libyan workers in the oil industry who were replaced by local workers. That meant skilled non-Libyan workers were retrenched and multinational companies suffered from this loss of non-Libyan workers. Production and exploration were also affected. In the early 1970s oil

production was three million barrels per day dropping to approximately 1.723 million barrels per day (Otman 2008).

Libya's international relations with the USA and UK fluctuated over time. There were some improvements in 2004 when Libya abandoned its program to develop so-called weapons of mass destruction in return for increased détente (Otman 2008). As a result, in 2003, the Security Council lifted sanctions. Libya's political isolation ended and it rejoined the international community, reintegrating into the global economy and adopting a free market economy (Yahia et al. 2008). These developments increased opportunities for international trade to benefit the economy. Yahia (2008b, p. 3) argues that "Libya needs strong and sustained economic growth to meet the needs of its rapidly growing labour force, which requires high investment in physical and human capital and more efficient use of the country's resources". This is seen as being necessary to sustain the Libyan economy and pursue the objective of increased international investment especially in the oil sector (Boucek 2004). In 2004 NOCL introduced EPSA-IV as a further incentive to increase international companies' confidence in the Libyan oil sector (Otman 2008).

Libyan crude oil is valued for its geographic proximity to Western countries. About 95% of Libyan exports go to Europe. Anglo-American companies sought to invest in the Libyan oil sector because they wanted to renew their presences in the sector which they had left three decades ago. Therefore, American international companies returned to their original concessions and obtained eleven licenses covering 98,673 km² out of fifteen areas. This represented about 78.3% of the total area offered. Those companies are Occidental which now has 36.75% of the area in its participation agreement with NOCL, while ConocoPhillips, Marathon and Amerada Hess all hold 40.83% interests in Waha Oil Company (Otman 2008).

It is abundantly clear that Arab countries (Libya included) have noticeably changed after discovery of oil and increased oil revenues. These changes can be seen in their lifestyles, economic systems, societal structures, education systems, and management practices (Ahmad et al. 2004; Ali 1990). The impact of cultural diversity within this important sector of the Libyan economy is of significant interest especially in view of the scarcity of research in this regard.

Research objectives

The subject of cultural diversity is highly relevant to multinational corporations which have many subsidiaries across the world (Douglas et al. 2007). The influence of culture on the behaviour and practices of management in developing Middle-Eastern countries has not been the subject of much research compared with Asian, European and Anglo-American countries. Despite the rising attention paid to cultural issues in the discipline of international comparative management, empirical studies on non-western, developing countries, and Arab management effectiveness and practice appear to lacking to date (Abboushi 1990; Ali 1990; Atiyyah 1993; Kozan 1993; Yasin et al. 1990). Parnell and Hatem (1999) studied top executives, comparing and contrasting American and Egyptian management technique. Their study indicates that the behaviour of management is entrenched in culture.

There seems to be a critical lack of management research in developing countries generally and in Africa in particular (with the exception of South Africa). Different cultures have negative and/or positive conceptualizations and impacts on similar managerial behaviours. Because the Western world has many unique relationships among organizational variables that may not be related or different to the developing world, consideration of culture is needed (Parnell et al. 1999). This study will fill an important gap in the existing literature on the impact of culture on budgeting processes. The objectives of this study are:

- 1- Identify how each social culture dimension affect budgets and budgeting processes in Libyan and Anglo-American companies operating in the Libyan oil sector.
- 2- Are there any differences between Libyan and Anglo-American companies operating in the Libyan oil sector in terms of budgets and budgeting processes?
- 3- Examining if Libyan and Anglo-American workers are aware of the potential differences between Libyans and Anglo-Americans when they interact with each other.

Motivation of the study

Anglo-American companies sought to invest in the Libyan oil sector because approximately 95% of Libyan exports are destined for Europe. United States and Western Europe are considered the largest consumers of oil per day in 2003 (GAO Reports 2006). Libyan crude oil is also valued for its geographic proximity to Western companies. Weijermars, de Jong and van der Kooi (2008, p. 19) state that “The impact of cultural diversity on business efficiency is certainly not new to this business, but has steeply intensified due to globalization”. Therefore, research is needed to better understand cultural differences and similarities between Anglo-American and Libyan companies operating in the Libyan oil sector.

The purpose of this study is to fill a void in the literature by providing a closer examination of the impact of societal culture on budgeting processes. The prime importance of the Libyan context stems from the fact that Libya is considered the largest oil exporter in North Africa. The impact of Libyan culture on the budgeting process has also been neglected by researchers. Libya’s economic growth trends are positive and foreign direct investments are increasing in the oil sector. The importance of culture and its historical roots is only just beginning to be recognized in Libyan accounting literature and there has been a lack of attention to the effects of culture on budgets and budgeting processes. An international management practice perspective has potential to make a substantial contribution to this emerging field of research. Although research in the international business literature on the influence of national culture on budgets and budgeting processes has increased in recent years, most research has focused on Western countries in general but Arab countries in particular (Libya especially) appear to have been ignored.

The growth in international trade between Anglo-American countries and Libya in recent years requires a better understanding of customs and expectations in cross-cultural budgeting systems. The budgeting process is heavily dependent on human involvement, participation, and judgment (Douglas et al. 2007) which can be affected by values, background, religion, education, language, and culture. Culture is so important when dealing with people from different cultures (Chang 2003). A better understanding of different cultures would assist managers to participate and deal more effectively with

employees in an optimal way when undertaking the budgeting process. This study is also motivated by the need to close the culture gap that currently exists between Libyan and Anglo-American companies regarding budgeting processes. Libya is considered to be a developing country, and has received little attention in international studies of accounting practices. Yet Libyan companies are typified as having poor management performance, governance structures, and unsophisticated users with a weak accounting profession in comparison to Anglo-American companies and countries (Baralexis 2004).

Scope of study

This study uses Hofstede's (2001) model of four societal cultural dimensions (power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity) to investigate the differences in budgets and budgeting processes between Libyan and Anglo-American companies operating in the Libyan oil sector. Hofstede's fifth dimension (long vs. short-term orientation) has not been used because there was no score for Arab countries' cultures for this dimension in Hofstede's study. Sivakumar and Nakata (2001, p. 559) state that "there is only a handful of countries for which these measures exist". Leach-López, Stammerjohan and McNair (2007) also used four dimensions when they compared USA and Mexico managers because Hofstede did not measure this dimension in Mexico either. Organizational culture has also not been used as well in this research because there is a difference between societal and organizational culture. Hofstede (2001, p. 393 emphasis original) states that "Using the word *culture* in reference to both nations and organizations suggests that the two kinds of culture are identical phenomena. This is incorrect: A nation is not an organization, and the two types of culture are of different kinds".

This study will compare two different cultures; Libyan and Anglo-American. Societal culture is used in this study to distinguish members from one nation to another. Organizational culture distinguishes employees from one organization to another. It has been suggested that in comparing two or more countries in a study, respondents should be drawn from the same occupations (Hofstede et al. 2005). This study has adopted this important suggestion. As such, the researcher hopes to limit the impact of extraneous factors upon the results.

Contribution of the Study

A deeper understanding of the influence of culture on budgeting processes might provide prescriptive insight to guide both multinational corporations' managers and host country's managers that intend to operate their subsidiaries in different cultures and countries. This research examines the influence of societal culture on the budgeting process of both Libyan and Anglo-American companies operating in the Libyan oil sector. The aim of research was to studying the cultural differences in a Western developed countries context (Anglo-American) and in a non-Western/developing and Arab/North African country context (Libya).

Despite a growing interest in international comparative cross-cultural management, especially in the developed world (Chow et al. 1991; Collins et al. 1999), the number of research studies focussed on the influence of culture on business and budgeting processes has been more limited in relation to the developing world. After an intensive review of the literature, it appears there is a critical lack of empirical studies regarding cultural differences on Arab management practices (Atiyyah 1993; Kozan 1993; Parnell et al. 1999). Consistent with traditional perception, management and accounting research in Libya are especially underrepresented.

There is very little research on cross-cultural studies on Arab countries and in North Africa (Parnell et al. 1999). There is also a dearth of research addressing the impact of societal cultural on budgets and budgeting processes in Western (developed countries/Anglo-American) and non-Western (developing countries/North Africa) companies in general and on Libyan oil companies in particular. In this context, the philosophy of cultural influence on budgets and budgeting processes is extensively discussed in manufacturing and services industries but rarely discussed in the reality of business that is as culturally diverse as the oil and gas industry (Lau et al. 1998; Skarlicki 2001). Despite its tremendous importance in both developed and developing countries the oil industry has not been studied to the same extent as manufacturing, particularly regarding cultural differences. Furthermore, as the number of multinational employees increases senders and receivers of information in companies that operate in oil sector require precise and concise information and special techniques to convey information accurately especially where cultural differences may hinder communication and reception (Weijermars et al. 2008).

Skarlicki (2001) argues that there is a deep failure to notice that cultural differences exist between workforces of different nations. In this regard, Czinkota et al. (1995) argue that every employee and manager needs to be aware of cultural sensitivity. Therefore, studying cross-cultural differences facilitates and enables managers of multinational companies to gain great benefit from comprehending and understanding these differences in managing cross-cultural organizations, and how to implement human resource programs in situations where workforces are culturally diverse. Mendonca and Kanungo (1996) also argue that the competitive advantage of operating internationally depends on how managers administer their human resources. There are potential benefits of managing diversity, such as better decision making, competitive advantage, innovation, and creativity (Jain et al. 1996). In this regard, despite its tremendous importance in both developed and developing countries, the oil industry has not been studied to the same extent as other sectors. From the literature it seems that there is a critical lack of research on cultural differences in the oil industry. This study also extends the work of Douglas et al. (2007) who compared Egyptian managers who work for Egyptian firms and Egyptian managers who work for US firms in Egypt.

Another contribution to the literature is in terms of adding some additional aspects of the budget process that have not been adequately and sufficiently studied in previous studies (Yee et al. 2008). Yee et al. (2008) provide a research agenda into the effect of culture on budgeting in Japan. This research agenda can be modified and applied to Libya especially in terms of that aspect relating to Hofstede's four dimensions and their predicted effects. As Libyan evidence is lacking, another contribution of this research is to suggest some Libyan evidence related to the budget process in the Libyan oil sector. A review of the literature appears to indicate that none of the earlier studies has attempted to empirically address how culture influences perceptions of the effectiveness of various levels of *voice* and *explanation*.

The study's outcomes are expected to provide further descriptive details relating to Hofstede's (2001) model of cultural dimensions and the differences in budgeting processes between Anglo-American and Libyan cultures in the oil industry. The significance of replicating research performed in one nation to another nation is that it enhances the knowledge of cultural influences on economic activities (Frucot et al. 1991). Furthermore, the research will also attempt to explain how and to what extent Libyan and

Anglo-American companies' budgets and budgeting processes are different. The findings will also assist Anglo-American managers dealing with Libyan employees. Similarly, Libyan employees may also gain insights on how to deal with managers from different cultures. As a developing nation, Libyan companies may adopt practices from Anglo-American companies that may not be culturally appropriate. This study seeks to identify these inconsistencies and offer some practical recommendations. As such, this research will benefit not only worldwide academic community but also practising managers and workers within the oil and gas industry in Libya. According to Mao (2007) our research should aim to achieve dialectical synthesis of theory and practice.

Chapter 2 Literature Review

The purpose of this chapter is to first provide a definition of culture in order to attain a better understanding of the meaning of culture and distinguish between societal culture and organization culture. This helps build a sound basis to explain how societal culture affects budgets and budgeting processes. Thus the first section focuses on a definition of culture and societal culture with reference to Hofstede's (2001) dimensions. The next section concentrates on the differences between budgeting processes in terms of cultural diversity.

Research issues in societal culture

Introduction

Globalization is witnessing the inevitable integration of countries, markets, nations, and technology (Ball et al. 2008). In a way this facilitates contact between people, corporations, countries, and nations around the world faster, farther, cheaper and deeper than ever before (Czinkota et al. 1995; Griffin et al. 2005). Garrison, Noreen and Brewer (2006, p. 12) state that "the last two decades have been a period of tremendous turmoil and change in the business environment". International businesses vary from domestic business because of differences in currencies, economic systems, political systems, and culture. International business also has grown so fast in the past decade that many professionals argue we are living in an era of globalization (Galang 1999; Griffin et al. 2005). In today's rapidly changing business environment, organizations must operate in a global marketplace to be successful (Rodrigues 1996; Taylor 2000). Technologies, globalization of business, and communications have made the world a small village despite differences in language, dress, religions, backgrounds, norms and systems of education. Values, attitudes, norms, and cultures have not changed as fast as changes in business environments (Czinkota et al. 1995). This rapid increase in international business has led to unprecedented demands on companies particularly to employ talented managers with skills to cope with varied cross-border activities (Neelankavil et al. 2000). As a result, managers of multinational corporations will be justifiably concerned about whether

management practices that are effective in one country can also be effective in others (Daley et al. 1985; Douglas et al. 2007; Galang 1999; Hofstede 2007; Merchant et al. 1995; Miroshnik 2002). Chang (2003, p. 567) argues that “With the globalization of product markets and expansion of economic activities across borders, cross-cultural differences are emerging as a significant factor in the management of organizations”. Cultural differences across countries are not the real primary problem but problems do manifest themselves when dealing with different cultures (Palau 2001). Hofstede (2007, p. 413) points out that “Because management is always about people, it is part of the culture of the society in which it takes place”.

Taylor (2000, p. 278) states that “globalization means that what happens to an organization in one part of the world will affect the organization in the other parts of the world”. As a consequence of globalization, understanding a culture’s impact on a business’s environment and multinational corporations has attracted considerable research interest (Douglas et al. 2007; Galang 1999; Sivakumar et al. 2001). The growth of multinational corporations and international investments has sparked cross-cultural research into attitudes, behaviours and values (Griffeth et al. 1985). Understanding different cultures is most relevant for multinational corporations that have many subsidiaries around the world. Furthermore, in the past two decades there have been considerable concerns about the influence of culture on many aspects of an organization. These concerns are typically because of changes in the business environment as well as the variety of organizations and their workplaces (Erez 1994 as cited in Aycan 2000; Miroshnik 2002; Rodrigues 1996). Weijermars, de Jong and van der Kooi (2008, p. 19) argue that “Modern business management must address cultural diversity and requires trans-cultural competence, using communication, empathy and creativity”. Multinational companies must be acquainted with how they and their companies should interact with the national and local environments to compete effectively and sustain productive relationships within host countries (Griffin et al. 2005; Tavakoli et al. 2003). In order to achieve organisational success, managers working in multinational companies are required to gain a better understanding of cultural differences and the variability of values, beliefs and attitudes. Furthermore, they should know how to adapt to the differences (Miroshnik 2002; Rodrigues 1996; Taylor 2000). Chang (2003) suggests that the international managers must understand the national differences between employees within their corporation, accept and respect their cultural beliefs and norms, while being

conscious of personal mannerisms and how they may be viewed by other cultures. Taylor (2000) also believes that understanding cultural and societal variations will enable organizations and managers to communicate effectively and sufficiently with other organizations and with employees in the host country.

Cultural differences are not always obvious but have profound effects on every facet of the lives of those who have experienced living or functioning in different cultures from their own. Hofstede (1983, p. 75) argues that “Twenty or even 10 years ago, the existence of a relationship between management and national cultures was far from obvious to many, and it may not be obvious to everyone even now”. The significance of culture has just commenced to be recognised in the accounting field (Radebaugh et al. 1997). Differences in culture affect the way that organizations operate in different countries. As a result multinational organizations will be positively or negatively affected by cultural diversity (Miroshnik 2002). Cultural influences on international business, management and accounting have drawn increasing attention in recent years (Bearden et al. 2006; Soares et al. 2007).

Hofstede and Hofstede (2005, p. 19) state that “different countries have different institutions: governments, laws and legal systems, associations, enterprises, religious communities, school systems, family structures”. A few economists, sociologists, and other researchers consider these to be actual causes of differences in feeling, behaving, and thinking between nations. Miroshnik (2002, pp. 424-5) also states that “two fundamental differences between multinational and domestic organizations are geographic dispersion and multiculturalism [...] analysis of problems and failures of multinational business abroad has shown that the first dominant factor is culture”. Like the people they work with, management and leadership are a part of national societies (Hofstede et al. 2005). Unresolved tensions due to cultural differences can simmer beneath the surface of an organization for years unacknowledged, leading to severe financial problems at times (Wickramasinghe et al. 2005; Yee et al. 2008).

Therefore understanding the meaning of culture is a critical element in managing organizations gross culture. The next section explains what is culture and how is defined.

2.1 Definition of Culture

Culture is an understandable word; however it is difficult to define clearly. Although the word culture is manifested in everyday usage of language, it is still used loosely to express many different concepts (Dahl 2004; Spencer-Oatey 2008). Because of the wide influence of culture on most human behaviour, it is difficult to define culture (Soares et al. 2007). William (1988, p. 87) identifies culture as “one of the two or three most complicated words in the English language”. These complications stem from its complicated historical development in many European languages. Definition difficulties also come from the use of culture as an important concept in many distinct intellectual disciplines (Williams 1988). Therefore, many authors have created varying definitions of culture. Hundreds of definitions have been ascribed to the concept of culture over the years, each definition highlighting a different aspect of culture and sometimes conflicting with each other (Bradford 2005; Edward 1959).

In the Oxford Dictionary (2005) culture is defined as “the customs and beliefs, art, way of life and social organization of a particular country or group”. Culture also means the attitudes and beliefs about something that people in a particular group or organization share (Hornby 2005). The concept of culture implies values, customs, habits, exhibited resultant behaviour, norms, attitudes, and artefacts that are shared by a certain society. From this people can distinguish one culture from another (Dahl 2004). For example, when one talks about Arabic culture, the first thing that comes to mind are certain values, customs, language, and religion which can easily be distinguished from other cultures such as Chinese, European or Japanese. The definition of Gao and Handley-Schachle (2003, p. 43) is: “Culture provides the cognitive premises for individuals within a group and sets preconditions for human behaviour. It covers a wide spectrum and includes the whole set of social norms and responses that direct people’s behaviour”.

Culture refers to the set of shared attitudes, goals, values, and practices that characterise an institution, organization or group. It is a set of human-made subjective and objective elements (Twati 2007). Subjective elements consist of norms, associations, categorisations, values, and roles that shape some of the basic aspects affecting social behaviour. Objective elements of culture include tools and technology (Twati 2007). In the same way, culture is considered as a set of habits, art, beliefs, ritual practices,

ceremonies, and forms, as well as informal cultural aspects including stories, rituals of daily life, gossip, and language. Culture forms action by defining what people want (Swidler 1986). Chang (2003, p. 567) also defines culture as “the unique characteristic of a social group; the values and norms shared by its members set it apart from other social groups”.

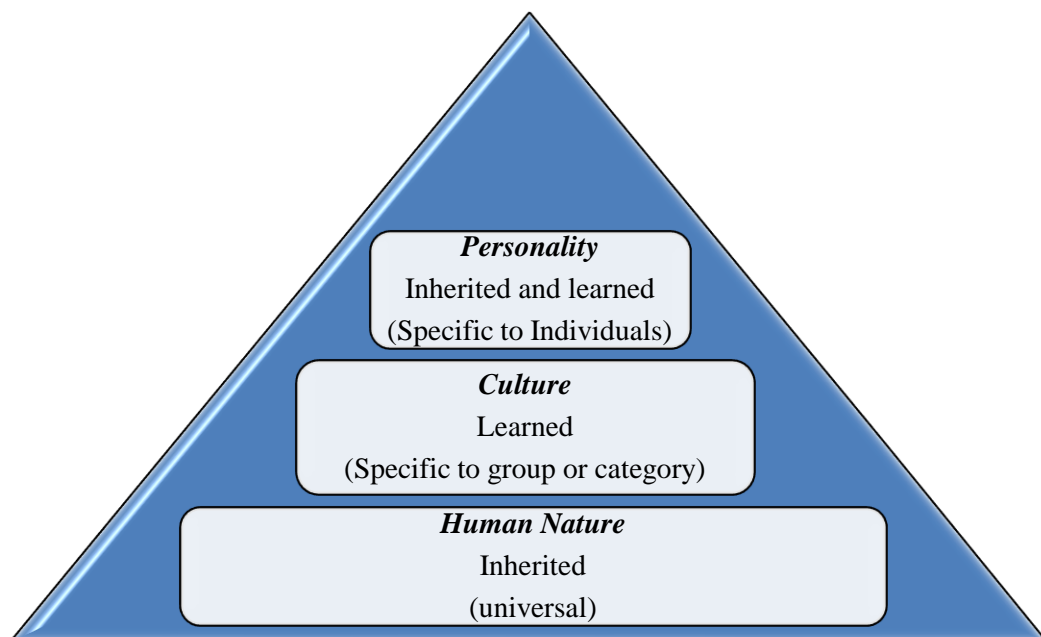
Culture is a whole way of life together with technology and material artefacts. It is also considered as a subconscious control method functioning in one’s thoughts (Dahl 2004). That hidden method influences and affects people’s behaviours even though they are not aware of its “subconscious” effect that can be called culture. It also can be defined as a way of living that human beings inherited, transmitted, and learned from previous generations and passed on to another (Czinkota et al. 1995; Dahl 2004; Griffin et al. 2010; Kennedy 2002). The psychologist Jung (1969) argues that past cultural and religious values live on in a society’s “collective unconscious”. Harris and Moran (1984, p. 11) consider culture as being inherited from previous generations and define culture as “a distinctly human capacity for adapting to circumstances and transmitting this coping skill and knowledge to subsequent generations”. Culture is transmitted from generation to generation by learning from each other as well as from the environment (Frend 2005; Rogers 1988). Dahl concludes that culture is a shared set of values and basic assumptions, with resultant behavioural, norms, beliefs, and attitudes which manifest themselves in behavioural patterns and non-behavioural items, institutions, and systems. In a similar way Chang (2003, p. 567) defines culture as “the unique characteristic of a social group; the values and norms shared by its members set apart from other social groups”.

Spencer-Oatey (2008, p. 3) looks at culture as “a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures, and behavioural conventions that are shared by a group of people, and that influence (but do not determine) each member’s behaviour and his/her interpretations of the ‘meaning’ of other people’s behaviour”. She considers culture as consisting of two levels: one is invisible and difficult to observe its inner layers “values and assumptions”; the other level is a visible outer layer, easily observable of resultant behaviour or behavioural conventions. This definition revolves around her four concepts;

- 1- culture is connected with a social group;

- 2- cultural stability can influence people's behaviour and the meaning they attribute to other people's behaviour;
- 3- culture is manifest through co-occurring regularities within the social group; and
- 4- cultural steadiness is not manifest in all members of a given cultural group or to the same degree of strength in all members.

Kluckhohn (1951/1961 as cited in Hofstede 2001, p. 5) defined value as “a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of desirable which influences the selection from available modes, means and ends of actions”. Culture is learned and shared among members of one group or one society and it is situated between human nature and individual personality (Dahl 2004). Hofstede and Hofstede (emphasis added 2005, p. 4) define culture as “the unwritten rules of the social game. It is the *collective programming of the mind* that distinguishes the members of one group or category of people from others”. Both Hofstede and Dahl agree that culture is learned not inherited. It, therefore, differs from human nature, which is inherited; and personality, which is inherited and learned. Figure 2.1 illustrates the levels of uniqueness in mental programming.

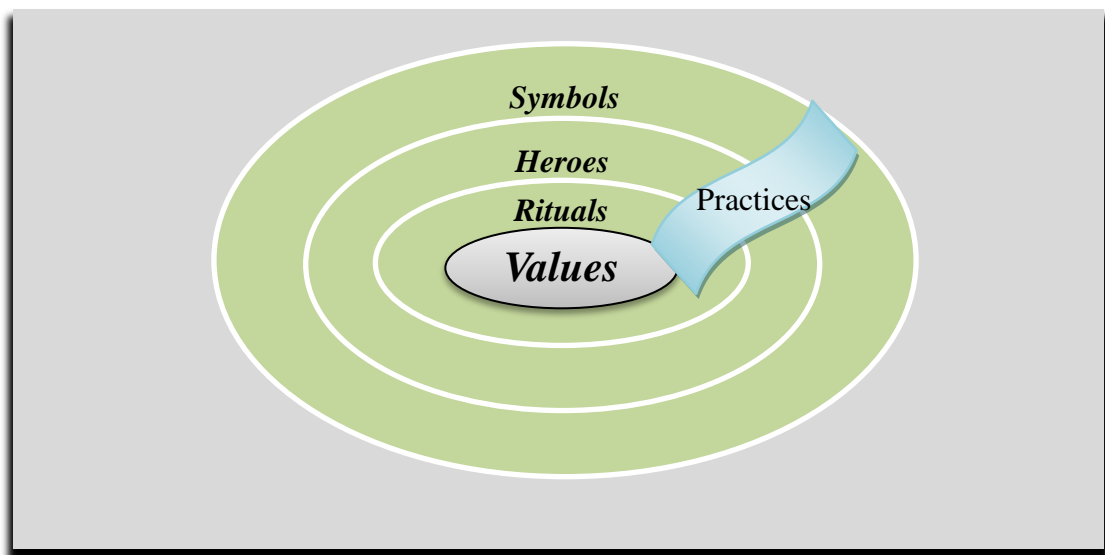


Source : (Hofstede & Hofstede, 2005, p. 4)

Figure 2:1: Three levels of uniqueness in mental programming

Hofstede also (2001, p. 1) defines culture as “collective programming of the mind; it manifest itself not only in values, but in more superficial ways: in symbols, heroes, and rituals”. Values cannot be recognised until they shown in behaviour while culture can be

recognised in visible elements too. Hofstede describes the manifestations of culture in terms of the metaphorical onion with multiple layers and values at the core. Values are invisible “software” until they are evident in the behaviour of those inside the culture. The visible manifestations of culture are reflected in the rituals, heroes and symbols “behavioural elements or hardware” of that culture as visible practises observed by those outside of the culture (Fang 2009). In Freudian psychology the “super-ego” is largely the unconscious part of the mind that stores past socialisation experiences unique to growing up in that particular culture (Freud 1990; Freud et al. 1962). However, those inside the culture recognise the ritual, hero and symbolic aspects underlying these practises. Figure 2.2 illustrates the manifestations of culture at different levels. Values are at the core of the model and it stays firm while symbols, heroes, and rituals might change. Symbols indicate words, gestures, and objects that explain complex meanings easily understood by a certain group. Heroes represent persons whose characteristics are highly valued and serve as models for behaviour in certain groups. Rituals mean collective activities that are socially essential in bounding individuals within the norms in a certain group. The behaviours are determined by values and beliefs; thus to understand these behaviours it is essential to understand culture “values and beliefs” of that group (Hofstede 2001).

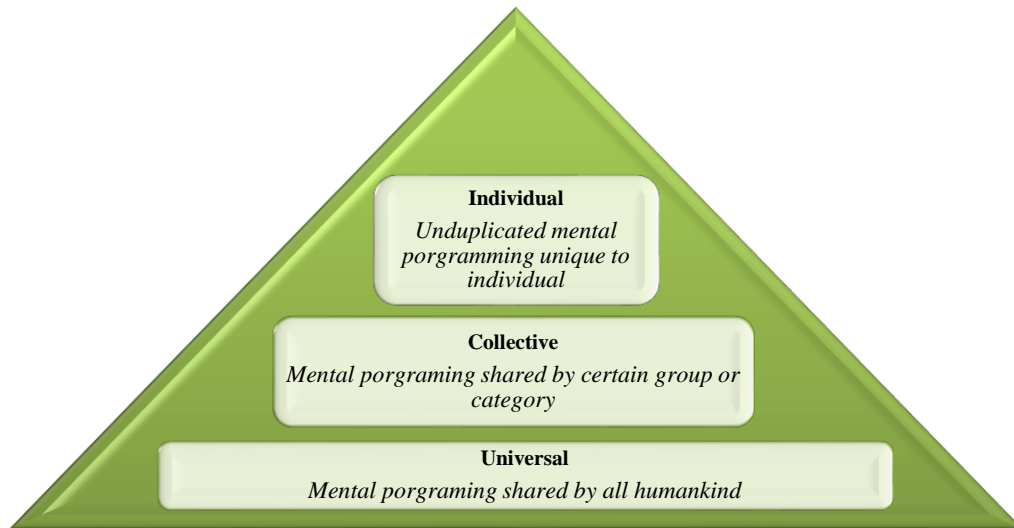


Source: (Hofstede, 2001, p. 11)

Figure 2:2: Manifestations of culture at different levels of depth (onion diagram)

Hofstede (2001, p. xv) points out that “a better understanding of invisible cultural differences is one of the main contributions the social sciences can make to practical

policy makers in governments, organizations—and institutions—and to ordinary citizens”. Hofstede divides mental programming into three levels. They vary from being common to almost all humankind, partly shared in groups or totally unique to an individual (Figure 2.3).



Source: from Hofstede 2001, p.3

Figure 2:3: Three levels schematic of mental programming

Despite the fact that there are many different points of view in relation to the concept of culture, most of them share similar elements of culture which can be summarised as follows.

Culture characterises a certain society or group of people and can be broken into subcultures such as occupational culture or organizational culture, which can be found within any culture (Abouzied 2005). An individual’s behaviour is significantly determined by cultural values, which can be stable for prolonged periods of time and cannot be changed easily, which makes their behaviour to some extent predictable. Members of a given cultural group also might not be influenced in the same way or to the same extent as other members (Ahmad 2004; Spencer-Oatey 2008). For Freud, there are not firm barriers between ego, id and superego. So an individual draws, usually unconsciously, from the social values embedded in her/his superego. The super-ego, in many cases, is the driver of particular actions.

This study defines culture as the economic systems, attitudes, education systems, laws and legal systems, social rules, associations, enterprises, religious communities, school

systems, family structures, habits, art, values, beliefs, morals, ritual practices, ceremonies, and forms are all part of formal culture. Informal culture includes stories, rituals of daily life, gossip and language, customs, habits, resultant behaviour, norms, and artefacts shared by a certain society. These norms govern how people act, how they define themselves, how they differ from other societies' members. They also govern how these shared elements facilitate communication with each other in effective and efficient ways. Moreover, they influence a particular group of people's behaviours and their mental lives (Bradford 2005; Christie et al. 2003; Dahl 2004; Hofstede et al. 2005; Jennergren 1980; Swidler 1986; Twati 2007; Williams 1988).

To understand the resultant behaviour of a culture, it is first necessary to understand underlying beliefs, attitudes, and values that remain invisible to outsiders. This will help to predict the resultant behaviour of individuals when operating in different cultures. The next section discusses Hofstede's five dimensions of culture that provides an explanation for and assistance in predicting individuals' behaviours according to their cultural background.

2.2 Hofstede's Model of Societal Culture

2.2.1 Hofstede's study

Hofstede's (2001) study is the most comprehensive study conducted in a large multinational corporation (IBM) operating in more than 72 countries. His study was the largest cross-cultural business survey ever conducted and achieved major interest from business scholars (Bing 2004; Chow et al. 1996; Dahl 2004; Rodrigues 1996; Silvia 2006; Sivakumar et al. 2001; Thompson 2003; Van Everdingen et al. 2003; Yates et al. 1996). Hofstede used the IBM company in three regions for his research in more than 50 countries. The survey was conducted twice, in 1972 and 1986, with more than 116,000 usable responses. Four dimensions were established. Then the fifth dimension was added to become five dimensions on which country cultures differ. Empirically the dimensions were verifiable and each country could be positioned somewhere between each pole (Hofstede 2001). Hofstede (2002, p. 1356) states that the five dimensions "have become part of intercultural training programs and of textbooks and readers in cross-cultural psychology, organizational psychology and sociology, management and communications".

Holt (1998 as cited in Chang 2003, p. 658) states that “This model is commonly called the four-dimension of culture model”. Some researchers call it Hofstede’s framework (Chang 2003; Chapman 1996; Collins et al. 1999; Dwyer et al. 2005; Greenberg 2001; Jan-Benedict et al. 2001; Kennedy 2002; Kirkman et al. 2006; Lau et al. 2000; Silvia 2006; Sivakumar et al. 2001; Soares et al. 2007; Sondergaard 1994; Tavakoli et al. 2003; Van der Stede 2003; Van Everdingen et al. 2003) and others call it Hofstede’s model (Ahmad 2004; Chang 2003; Dahl 2004; Douglas et al. 2007; Gray 1988; McSweeney 2002a; O’Connor 1995; Oumlil et al. 2009; Twati 2007; Williamson 2002; Yates et al. 1996). This study will refer to these four dimensions of culture as Hofstede’s model.

2.2.2 Justification for using Hofstede’s (2001) model

Hofstede’s (2001) model is the most prominent, well-known, robust, comprehensive, and the most famous among cross-cultural studies as well as the most often cited work in culture research as it helps to differentiate the culture differences from one country to another (Bing 2004; Chapman 1996; Chow et al. 1996; Collins et al. 1999; Dahl 2004; Fang 2006; Harris et al. 2008; Jackson 1995; Jansen et al. 2009; Kirkman et al. 2006; Radebaugh et al. 1997; Robbins et al. 2008; Rodrigues 1996; Silvia 2006; Sivakumar et al. 2001; Soares et al. 2007; Thompson 2003; Twati 2007). Chapman (1996, p. 18) concurs, believing that “it is not possible to deal with ‘culture’ in the area of business and management without becoming aware of the long shadow cast by the work of Geert Hofstede”. Hofstede’s study is revolutionary in the domain of cultural differences among countries and the most prominent work in the field of cross-cultural, business communication, accounting and management (Collins et al. 1999; Dwyer et al. 2005; Fang 2006; Radebaugh et al. 1997; Silvia 2006; Sivakumar et al. 2001; Soares et al. 2007; Taylor 2000; Twati 2007). Gray (1988, p. 5) emphasises that it “is probably one of the most extensive cross-cultural surveys ever conducted”. Similarly, Chapman (1996, p. 18) also supports that “Hofstede’s work became a dominant influence and set a fruitful agenda. There is perhaps no other contemporary framework in the general field of ‘culture and business’ that is so general, so broad, so alluring, and so inviting to argument and fruitful disagreement”. His pioneering work is the most comprehensive set of studies, which are widely used in management, accounting, psychology, sociology, and marketing (Chandy et al. 1994). In the same vein, Sivakumar and Nakata (2001, p. 556) also argue that “Hofstede’s Culture’s Consequences has been cited 1,101 times from 1987 to 1997

according to the Social Sciences Citations Index ... Hofstede is the third most cited author in international business studies published between 1989 and 1993". Sondergaard (1994) also indicates that 1036 quotations from *Culture's Consequences* appear in journals during the period 1980 to 1993. This work has considerably extended understanding of national cultures and the differences between them (Arrindell 2003; Arrindell et al. 2003; Dahl 2004; Douglas et al. 2007; Drogendijk et al. 2006; Jansen et al. 2009; Lau et al. 2000; Leach-López et al. 2007; Twati 2007; Van Everdingen et al. 2003).

Soares, Farhangmehr and Shoham (2007, p. 280) argue that Hofstede's (2001) model "is the most comprehensive and robust in terms of the number of national cultures samples". This model helps in understanding the values that emphasise the functioning of cultural units as an explanation for understand other cultural differences. The simplicity of Hofstede's (2001) model is also one of the reasons why this study chose to utilize it. Moreover, his dimensions are uncomplicated, straightforward, and naturally interesting to both business readers and academic researchers across many disciplines making it uncomplicated to compare and understand cultural differences between countries (Chapman 1996). Furthermore, for cross-cultural comparative purposes, Hofstede's dimensions are well positioned for comparative studies (Dwyer et al. 2005; Osland et al. 2000; Twati 2007). Fang (2009, p. 4) also states that "The fact that not only academics but also managers can talk about culture-related management issues in terms of Hofstede's cultural dimensions is indicative of Hofstede's great influence". What is more, Hofstede's dimensions have been widely accepted and repeatedly validated over time (Christie et al. 2003; Sondergaard 1994).

Hofstede (2001, p. 465) states that "the model can serve to explain and to help us understand observed similarities and differences between matched phenomena in different countries". In addition, this model is helpful in comparative cross-cultural studies or formulating hypotheses (Soares et al. 2007). Hofstede's four dimensions have scores for Arabic countries in general, and for Libya in particular as well as for Anglo-American countries (USA, UK, Canada, and Australia) which helps the comparison between them. Another reason for choosing Hofstede's model is that many authors used Hofstede's model to study the influence of culture on budgeting processes (Douglas et al. 2007; Douglas et al. 2005; Ueno et al. 1993; Yee et al. 2008).

However, a review of the literature revealed no studies in the accounting literature that examine the effects of culture on budgeting process in a Libyan context. The importance of using Hofstede's model is that it can be the basis for other comparative studies in accounting generally and in the budgeting process in particular. Because of its popularity, robustness, and simplicity of its application in the business arena it enables academics and practitioners to gain a better understanding of this phenomenon (Yates et al. 1996).

2.2.3 Cultural clusters

Griffeth et al. (1985, p. 814) state that "The empirical identification of 'clusters' of countries based on observed similarities among the attitudes and behaviours of their work force has been one area of international investigation". Five studies empirically clustered nations despite the fact that categorising countries by their subjective cultures presents practical and theoretical benefits (Griffeth et al. 1985). They argue that these studies (Haire et al. 1967; Hofstede 1976, 1980; Ronen et al. 1985; Sirota et al. 1971) are not identical although they appear similar (Griffeth et al. 1985). Ronen and Shenkar (1985) define cultural cluster as a group of countries or nations that share many common attributes. Cultural clusters are essential for better understanding differences and similarities between people. They are also useful when comparisons are made between different countries (Griffeth et al. 1985). Looking across national boundaries, they are crucial for understanding the differences between the various cultures. With knowledge and a better understanding of the basis of similarities and differences between countries, multinational companies' managers can effectively predict the results of practices and policies across national boundaries (Griffeth et al. 1985; Ronen et al. 1985). Knowing country clusters will also show which countries might work together better than others (Griffeth et al. 1985).

Academicians and practitioners can obtain assistance from clusters when they generalise the results to other countries sharing the same characteristics or which are in the same cluster (Ronen et al. 1985). Griffin and Pustay (2010, p. 125) state that "A culture cluster comprises countries that share many cultural similarities, although differences do remain". They can utilize the clustering of countries (as Hofstede himself did) in important implications by defining the country as the unit of analysis. Clustering countries is also beneficial in distinguishing similarities and differences across the entire

world. It benefits managers who work in international companies to give them a better understanding as to similarities and differences between countries (Twati 2007).

Understanding national characteristics such as geography, language, and religion underlying the clustering of these countries is also essential when talking about country clusters (Ronen et al. 1985). There are characteristics underlying why and how certain countries are clustered in certain ways. Ronen and Shenkar (1985) argue that geography is more important when talking about cultural clusters because culture spreads first to the nearest area “birthplace”. They justify the Anglo-American cluster which contains countries from different continents, because of colonization and immigration. Language is also shared between Anglo-American countries where people speak English. Language is another factor affecting clusters that contain values and meanings that influence individuals’ work objectives. Gupta, Hanges and Dorfman (2002) conclude that there are three factors to classify countries: a) mass migrations and ethnic social capital; b) geographic nearness; c) and spiritual and linguistic commonality.

The main usages of clustering are to: name, summarize, display, predict, and require explanation. The implication of clustering countries might be illustrated by these purposes according to their work values. Contributions might manifest in the theoretical domain and practical areas (Hartigan 1975 as cited in Ronen et al. 1985). Although studies have tried to obtain benefits from cultural clusters when management operates in more than one culture, some researchers considered cluster studies as largely overstating differences between countries (Ronen et al. 1985). Africa appears to have been completely neglected and the Middle East and the Far East have not been studied either (Ronen et al. 1985). Grouping countries has been based on many types of clustering for instance developed, undeveloped, less developed countries, industrialized, newly industrialized, developing, developed countries, Middle East, and Arab regions (Twati 2007).

Ronen and Shenkar (1985) used attitudinal data from eight empirical studies to cluster countries based on the most popular cultural clusters (Twati 2007). They clustered the countries as:

1. Nordic clusters: Finland, Norway, Denmark, and Sweden.
2. Near Eastern clusters: Turkey, Iran, and Greece.
3. Germanic clusters: Germany, Austria, and Switzerland.
4. Latin European clusters: France, Belgium, Italy, Spain, and Portugal.

5. Latin American clusters: Argentina, Venezuela, Chile, Mexico, Peru, and Colombia,
6. Independent clusters: India, Japan, and Brazil.
7. Far Eastern clusters: Malaysia, Singapore, Hong Kong, Philippines, South Vietnam, Indonesia, Taiwan, and Thailand.
8. Arabic clusters: countries that speak Arabic for example, Syria, Libya, Bahrain, United Arab Emirates, Kuwait, Oman, Morocco, Egypt, and Saudi Arabia.

Islam, Europe, and Ottoman Empire influence, played an important role in creating commonalities in socio-cultural values and practices. Ali (1990) argues that there are many historical factors have influenced Arab culture and their management practices such as the legacy of colonial bureaucracies and Ottoman Empire as well as European, tribal and family traditions, Islamic influence, Western nations in recent decades, political constraints, and the government intervention. Arabic countries have many commonalities, sharing the same language, religion and socio-cultural characteristics (Kabasakal et al. 2002; Twati 2007). Kabasakal and Bodur (2002, p. 44) argue that “the Koran has been a unifying force that strongly influences societal practices and acts as a driver towards creating a common culture in the Arabic cluster”.

9. Anglo clusters: countries that speak English such as United States, Canada, United Kingdom, Ireland, Australia, New Zealand, and to a certain extent South Africa. These countries are all predominantly Anglo-Saxon, developed nations, and were all colonized by Britain (Ashkanasy et al. 2002). These Roman Catholic countries value a spirituality that emphasizes tradition, ritual and the visual. This is contrasted with the Protestant Anglo cultures where religion is hyper-rational, austere and relegated to private realm concept of ‘personal relationship with God’. Individual conscience is paramount in Protestantism compared to (group) traditions and the sacraments in Catholicism.

Pre-requisite understanding of the Anglo cluster countries is required to understand international relations and trade around the world. This understanding is also important for this study in terms of its comparison between Anglo-American and Libyan companies operating in the Libyan oil sector. Anglo-American countries serve as the headquarters for many of the world’s largest multinational companies. They represent many of the

most economically advanced countries and most developed in the contemporary world. Anglo-American countries represent only 7% of the world's population but account for 25% of world trade, and 40% of the world's Gross National Product (Ashkanasy et al. 2002). Cultural values of the English have spread across the world, and now the Anglo cluster encompasses some of the most advanced and robust democratic economies in the developed world. This cluster strongly endorses accomplishment especially in the chase of material wealth. It also reflects a male dominated society in practice. There are distinct differences between countries in this cluster despite their similarities. South Africa and New Zealand stand out in this respect (Ashkanasy et al. 2002).

2.3 Hofstede's (2001) Societal Culture Dimensions

Organizational culture was not used in this study because there is a difference between societal and organizational culture. Hofstede (emphasis original 2001, p. 393) states that "Using the word *culture* in reference to both nations and organizations suggests that the two kinds of culture are identical phenomena. This is incorrect: A nation is not an organization, and the two types of culture are of different kinds". This study will compare two different cultures Libyan and Anglo-American. Societal culture is used to distinguish members from one nation to another. Organizational culture is used to distinguish employees from one organization to another. In comparing two or more countries in a study, the sample respondents should be drawn from the same occupations (Hofstede et al. 2005).

Hofstede (2001) explained that *five societal cultural dimensions* differentiate countries based on relationships among their members. The dimensions are: power distance, uncertainty avoidance, individualism- collectivism, masculinity- femininity and long-short term orientation.

This study used the four dimensions of Hofstede model which are: power distance, uncertainty avoidance, individualism vs. collectivism and masculinity vs. femininity. However, the fifth dimension long vs. short-term orientation was not used because there is no score for Arab cultures for this dimension. Researchers use Confucian dynamism as the fifth dimension to Hofstede's model which has been used to differentiate Chinese from Western values (Chang 2003). Arabic countries do not have scores for this dimension yet because Hofstede did not get information about this dimension in the Arab

world. This study similarly chose to rely on Hofstede's model to give larger generalizability and comparability of the results with prior studies. Osland and Bird (2000, p. 68) indicate that "Hundreds of studies have used one or more of Hofstede's dimensions to explore similarities and differences across cultures regarding numerous aspects of business and management". There are many studies that have used just four dimensions when they compared countries that have scores for the fifth dimension and countries that do not (Douglas et al. 2005; Leach-López et al. 2007; Oumlil et al. 2009)

2.3.1 Power Distance

Power distance (PD) deals with the level of the inequality in society and how to handle the fact that members of the society are unequal. Equality of treating people in the same way regardless of their wealth, power, or status exists without laws between members of few societies. However, in many societies laws have been conceived to maintain equality between members of societies (Hofstede et al. 2005). Hofstede and Hofstede (p. 46) defined PD as "*the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally*". Family, school, and community are the basic elements of a society while places where people work are organizations (Hofstede et al. 2005). PD refers to the distribution of power at different levels of organizations in different societies. PD is also reflected in the hierarchical organization of companies, the admiration that is expected to be shown from inferior to superior, the political structures of centralization and decentralization, by the faith in society that differences among its members must be decreased, or that they are wanted and desired (Dahl 2004). PD indicates the degree to which subordinates feel contented approaching and/or disagreeing with their superiors (Tavakoli et al. 2003).

In high power distance societies, power is unequally distributed between members of the society whereas in low PD societies, power is equally distributed between its members. In the high PD societies there are differences between superiors, who consider themselves higher than subordinates; this system is based on inequality. Power is also concentrated in a few hands in organizations. Office workers have much higher status than manual workers. In a high PD society decisions are taken at top levels of organizations and employees must execute and obey orders without objections. Thus subordinates like to be told what to do. In societies where power is more evenly distributed among members of organizations, there is more equity in relationships among members at various levels.

Executives seek their subordinates' suggestions and advice; the latter also participate in the processes of decision making. Subordinates and supervisors are almost equal in status. Table 2.1 lists some characteristics of society with high and low PD.

Table 2.1: Key differences between low and high power distance in workplace

<i>Low power distance</i>	<i>High power distance</i>
<ul style="list-style-type: none"> ▪ Centralization is less. ▪ Subordinates expect to be consulted. ▪ Same status between manual work and office work. ▪ Hierarchy established in organizations for convenience that means an inequality of roles. ▪ Flat organization pyramids ▪ Managers rely on experience and on subordinates. ▪ The relationship between subordinate and superior are pragmatic. 	<ul style="list-style-type: none"> ▪ Centralization is high. ▪ Subordinates expect to be told what to do. ▪ Office work valued more than manual work. ▪ Hierarchy reflects inequality between higher and lower levels. ▪ Tall organization pyramids. ▪ Managers rely on formal rules and on subordinates. ▪ The relationship between subordinate and superior are emotional.

Source: (Hofstede 2001, p. 107; Hofstede et al. 2005, p. 59)

2.3.2 Uncertainty Avoidance:

Uncertainty Avoidance (UA) relates to the extent to which members of society feel, deal, and cope with vagueness and unknown circumstances in the future. This feeling is manifested into anxiety and nervous tension because of the unpredictable future. Uncertainty avoidance means being uncomfortable with uncertainty and the shortage of assurances for the future, it is not risk avoidance. Hofstede and Hofstede (2005, p. 167) define UA as *“the extent to which the members of a culture feel threatened by ambiguous or unknown situations”*. Uncertainty, concern, and anxiety are when you are worried or afraid of something unknown because of the need of written and unwritten rules. In strong UA societies *“anxious cultures”* members tend to be expressive and it is accepted by other members of the same society to speak out loudly with raised hands, aggressive gestures, intolerance, emotion, and security-seeking (Hofstede 1984; Hofstede et al. 2005). In weak UA societies displaying aggression and emotion are not acceptable to other members of society; relatively the anxiety levels are low. Members in strong UA societies shun ambiguous situations and try to structure their relationships, organizations, and institutions so it can be easy for them to interpret and predict events. Members of societies in high UA gather vast amount of information, set rules, more formal laws, and more internal regulations to reduce anxiety and ambiguity and to control duties and the rights of employees and employers (Hofstede et al. 2005). From early childhood those

people are programmed to feel comfortable with a structured environment. In high UA societies there is a tendency to undertake more planning and collect more information to minimize and avoid unpredictable futures whereas uncertain environments are faced without undue concern by members of weak uncertainty avoidance societies. Table 2.2 shows key differences between weak and strong uncertainty avoidance societies.

Table 2.2: Key differences between two different cultures in workplace

<i>weak uncertainty avoidance</i>	<i>strong uncertainty avoidance</i>
<ul style="list-style-type: none"> ▪ Focus on decision process. ▪ Innovative employees are relatively free from rules. ▪ Time is considered as a framework for orientation. ▪ Strategy is the concerns of top managers. ▪ Hope for success. ▪ Managers might not be expert in the field they manage. ▪ Rules might be broken for practical basis. ▪ Management can handle and tolerate ambiguity and unknown situations. ▪ Employees willing to change employers. ▪ Superiors optimistic about employees' ambition and leadership capacities. 	<ul style="list-style-type: none"> ▪ Focus on decision content. ▪ Innovative employees are constrained by existing rules. ▪ Daily operations are the concerns of top managers. ▪ Fair of failure. ▪ Time is considered as money. ▪ Managers should be expert in the field they manage. ▪ Rules must not be broken for any basis. ▪ Management might not easily handle or tolerate ambiguity and unknown situations. ▪ Managers tolerate. ▪ Superiors optimistic about employees' ambition and leadership capacities. ▪ Employees not willing to change employers.

Source: (Hofstede et al. 2005, p. 189)

2.3.3 Individualism vs. Collectivism:

Individualism-Collectivism (IC) explains relationships among members of societies and how they perceive and comprehend these relations. It also describes the relationship between the collectivity and the individual that exists in a given group. Individualism means that members of society look at themselves and seek their own goals more than the group's goals. Their loyalties to organizations tend to be at a low level and they depend on themselves rather than others. Competitiveness is regarded as more of an important virtue than collaboration. In individualistic societies members are oriented by "I". Because children tend to leave their parents' homes at an early stage of their lives they reduce relationships with their parents so they learn how to depend on themselves and never depend on a group (Hofstede et al. 2005). In collectivistic societies members are oriented by "We". The word collectivist does not necessarily have any political sense (although it may explain the attraction of certain political forms in certain culture e.g.

there was Communism in Russia, China, Vietnam, and Eastern Europe but never in the USA). It relates to the power of the group and not to the power of the state. In collectivistic societies collaboration and “we” are their slogan and the loyalty to the organization is expected to be high. Individual competition is not preferred in collectivist societies. Members depend on cooperation with each other jointly as a unit or family. Hofstede and Hofstede (2005, p. 76) define this dimension as:

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which throughout people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetimes continue to protect them in exchange for unquestioning loyalty.

The reasons why members of an organization comply with organizational requirements will be affected by the level of collectivism or individualism in society (Hofstede 2001).

Table 2.3: Key differences between Individualist and collectivist societies in a workplace

<i>Collectivistic</i>	<i>Individualistic</i>
<ul style="list-style-type: none"> ▪ Direct appraisal of subordinates spoils harmony. ▪ Incentives to be given to in-groups. ▪ Keeping ethnic or other in-groups together supports productivity. ▪ Management is management of groups. ▪ Poor performance reason for other tasks. ▪ Employer-employee relationship is basically moral, like a family link. ▪ Belief in collective decisions. ▪ Relationship prevails over task. ▪ Employees and managers report teamwork, personal contacts, and discrimination at work. ▪ Less control over job and working condition; fewer hours worked. 	<ul style="list-style-type: none"> ▪ Direct appraisal of performance improves productivity. ▪ Incentives to be given to individuals. ▪ Composition of work groups based on individual criteria; in groups unwanted. ▪ Management is managements of individuals. ▪ Poor performance reason for dismissal. ▪ Employer-employee relationship is a business deal in a labour market. ▪ Belief in individual decisions. ▪ Task prevails over relationship. ▪ Employees and managers report working individually. ▪ More control over job and working conditions, longer hours worked.

Source: (adapted from Hofstede 2001, pp. 244-5; Hofstede et al. 2005, p. 104)

This dimension is used to explain the differences between countries in accounting practices. Ueno and Sekaran (1992) find this dimension is the reason behind the differences between USA and Japanese companies budgeting processes. Hofstede (2001, p. 213) states that “The degree of individualism in organizations depends, obviously, on other factors in addition to a societal norms, such as employees’ educational levels as well as an organization’s history and organizational culture”. Table 2.3 shows the key differences between individualist societies and collectivists societies.

2.3.4 Masculinity vs. Femininity:

Masculinity versus femininity (MF) dimension does not refer to the biological differences between the sexes but the social and emotional roles assigned to the genders. Hofstede and Hofstede (2005, p. 120) define MF as:

A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, where women are supposed to be more modest, tender, and concerned with the quality of life.

A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life.

Table 2.4: Key differences between Feminine and Masculine societies in a work situation

<i>Feminine</i>	<i>Masculine</i>
<ul style="list-style-type: none"> ▪ Successful managers seen as having both male and female characteristics. ▪ Management as ménage: intuition and consensus. ▪ Humanization of work by contact and cooperation. ▪ People work in order to live. ▪ Lower job stress: fewer burnout symptoms among healthy employees. ▪ Preference for smaller companies. ▪ Preference for fewer hours worked. ▪ Competitive agriculture and service industries. ▪ Rewards are based on equality. ▪ Intuition. ▪ People and warm relationship are important. ▪ Dominant values in society are caring for others and preservation. 	<ul style="list-style-type: none"> ▪ Successful managers seen as having solely male characteristics. ▪ Management as manege: decisive and aggressive. ▪ Humanization of work by job content enrichment. ▪ People live in order to work. ▪ Higher job stress: more burnout symptoms among healthy employees. ▪ Preference for larger companies. ▪ Preference for higher pay. ▪ Competitive manufacturing and bulk chemistry. ▪ Rewards are based on equity. ▪ Decisiveness. ▪ Money and material objects are important. ▪ Dominant values in society are material success and progress.

Source: (Hofstede 2001, p. 318; Hofstede et al. 2005, p. 147)

Masculine cultures have separately defined men's and women's roles. Male concerns are economic and other accomplishments. By contrast, in feminine cultures, men and women are regarded as equal and quality of life and environment are appreciated more than money. Female concerns are taking care of children in particular and people in general. Feminine culture has care and concern for the weak and members of the group, modesty, quality of life, and in interpersonal relationships with people in general. Men and women do not need to be competitive or ambitious. A masculine culture stands for material success, assertiveness, achievement, competitive, heroism, tangible action, ambitious, and competitive to strive for material success or materialistic gains (Hofstede 1984).

Challenge, performance, money, and achievement are highly valued in masculine societies. Table 2.4 shows key difference between masculine and feminine cultures.

2.3.5 Culture Scores:

Dimensions are scored from zero to 100 indicating the score of a country on each dimension. Power distance is scored from zero, indicating culture with low PD, to 100 indicating a culture with high PD. The uncertainty avoidance index ranges from zero, for a culture with the weakest AU, to 100 for a culture, which has the strongest AU. Individualism versus collectivism ranges in value from zero for collectivist cultures to 100 for individualist cultures. The masculinity index ranges from zero, indicating a feminine culture, to 100 indicating a masculine culture. Hofstede and Hofstede (2005) computed cultural dimensions across countries including scores for Libya and Anglo-American countries' cultural dimensions (Table 2.5).

Table 2.5: Libyan and Anglo-American index for culture dimensions

<i>Country</i>	<i>Power Distance (PD)</i>	<i>Uncertainty Avoidance (UA)</i>	<i>Individualism vs. Collectivism (ID)</i>	<i>Masculinity vs. Femininity (MF)</i>
Libya	80	68	38	53
USA	40	46	91	62
UK	35	35	89	66
Australia	36	51	90	61
Canada	39	48	80	52
Score range	0—100	0—100	0—100	0—100

Source: adapted from Hofstede and Hofstede 2005, pp. 43-4, 78-9, 120-1 and 68-69

2.4 Critique of Hofstede

Hofstede's model is regarded as the most prominent, comprehensive, robust, well-known, influential, and pioneering research among cross-cultural studies as well as the most often cited work in culture research. His work also represents a considerable improvement in understanding of differences between countries according to their cultural context (Arrindell 2003; Arrindell et al. 2003; Bing 2004; Chapman 1996; Chow et al. 1996; Collins et al. 1999; Drogendijk et al. 2006; Fang 2009; Harris et al. 2008; Jansen et al. 2009; Radebaugh et al. 1997; Radebaugh et al. 2006; Robbins et al. 2008; Silvia 2006; Sivakumar et al. 2001; Soares et al. 2007; Twati 2007; Yee et al. 2008). However, Hofstede's model could not continue to be immune from criticism. Several scholars have increasingly critiqued the model in recent years (Baskerville 2003; Hampden-Turner et al.

1997; McSweeney 2002b, 2002a; Schwartz 1994; Smith 2002; Williamson 2002). Criticism of Hofstede's model is acknowledged as well-founded by many researchers and by Hofstede himself, though many researchers still use his model (Silvia 2006; Twati 2007). Baskerville (2003, p. 5) states that "Critiques of Hofstede have periodically appeared in accounting, but these have not diminished the attractiveness of his indices". He argues that numerous research studies have used Hofstede's quantification and classification of cultural differences in accounting discipline.

There has also been severe criticism of Hofstede's model from other authors (Baskerville 2003; McSweeney 2002b; Schwartz 1994). Serious concerns have arisen which have resulted in warnings to researchers using Hofstede's model.

- a) Disagreement that nation states can be equated with cultural indexes because a single country may include more than one significant culture (e.g. Fiji, Malaysia, Singapore, China, and the former Yugoslavia) and as such the unit of analysis in Hofstede's work is inappropriate.
- b) Difficulties of and limitations of a quantification of culture represented by cultural dimensions and matrices.
- c) The status of observers outside the culture may be limited in their understanding of or limited subjective bias.
- d) Consider the model as outdated as his data was collected between 1968 and 1973, arguing that culture has changed in the time since the data was collected.
- e) Sample derived from IBM is implausible in terms of representing the nation's culture.

In addition to these, Hofstede adds his concern that the values used in his questionnaire were developed from western sources and that these values might be a basis for researcher bias. Questions that related to attitudes and values were included in the questionnaire might be considered as irrelevant in other contexts such as eastern cultures (Harrison et al. 1994).

These criticisms were answered by Hofstede (2002, 2003). He agrees with some of these concerns. In terms of the unit of analysis he agrees that the best level of analysis is at the individual level. However, from a pragmatic point of view, evaluating culture at the national level is the only technique that currently exists. It is hard to differentiate cultural associations/descriptions at the level of the individual within countries. However due to

culture being regarded as shared, the description of nationally shared cultures can function as a pragmatic solution in overcoming this criticism (Dahl 2004). Dahl (p. 7) argues that “In more practical terms, national boundaries have been the preferred level of resolution, and therefore countries the preferred unit of analysis”. Dahl (p. 8) also states that “although general ‘dimensions’ of culture can be established at a culture-level, these may not necessarily be reflected in the behaviour of each individual from that culture”. In other words, using data from a national level of analysis of culture at an individual level of analysis is inappropriate.

In relation to the criticism that culture is changing over time and the IBM data is obsolete, Hofstede indicated that culture is changing but that it takes much longer to change significantly. He estimates that observable change is only likely to occur over a period of more than one hundred years. Hofstede argues that the same results were attained over two surveys and are stable (Soares et al. 2007). It can be argued that culture is embedded in values and hard to change in one generation. People’s minds are programmed by the time when they are children and cultural changes will be unlikely to occur in the same generation (Freud 1990; Freud et al. 1962; Hofstede et al. 2005). Even cultural beliefs and traditions ostensibly rejected by a new generation remain alive, as an example whilst only around 3% of English attend church every week a move to abandon Christmas and Easter holidays would meet with huge and widespread resistance. Changes may be observed in resultant behaviour that is illustrated in practice ‘symbols, heroes, and rituals’ being as manifestation of culture. Hofstede agrees that the five dimensions are not comprehensive enough and invites researchers to add new dimensions different from his own dimensions. These however should be reliable and valid (Hofstede 2002).

In terms of the emergence of new paradigms in the study of culture that build on, or offer alternative frameworks to Hofstede, Schwartz work has gained some attention. However, researchers have pointed out that Schwartz’s framework has not been tested for validity through practical applications (Drogendijk et al. 2006). From Drogendijk and Slangen’s (2006) study of the effects of different cultural distance measures on establishment mode choices by multinational enterprises, they used two measures based on both Hofstede’s and Schwartz’s models. Drogendijk and Slangen (2006, p. 362) conclude that “it may thus be premature to dismiss Hofstede’s work as outdated or as inaccurately reflecting national cultures, and to consider Schwartz’s framework to be superior” despite the fact

that they used Schwartz's framework in their study. Williamson (2002, p. 1389) argues that "Schwartz's survey was designed for students and teachers not for business staff". Van Everdingen and Waarts (2003) highlighted the continued dominance of Hofstede's model in current research and they also drew attention to the need to address the use of country selection. Their research pays no attention to multiple and confounding culture effects. Soares, Farhangmehr, and Shoham (2007, p. 283) agree that "Hofstede's framework constitutes a simple, practical, and usable shortcut to the integration of culture into studies. In spite of criticisms to his dimensions, the argument that they capture cross-country differences has received extensive support".

The preeminence of Hofstede's model lies in its consistency and clarity in recognizing cultural differences in addition to its simplicity to be understood by academics and practitioners (Fang 2009). Hofstede worked on his model for more than 20 years revising and explaining it in more detail in terms of checking and ensuring the validity of his work (Smith 2002). Tavakoli, Keenan and Cranjak-Karanovic (2003, p. 61) state that "Many other studies have found that Hofstede's Dimensions have generally been borne out in the analysis of surveys with results generally consistent regardless of target countries and sample groups". Moreover, Kirkman, Lowe and Gibson (2006) reviewed two international annual volumes and 180 studies in 40 business and psychology journals between 1980 and 2002. They support using Hofstede's model. They also found that, in countries that are diverse in terms of their cultural background, results from studies using Hofstede's model continue to support Hofstede's predictions. Soares, Farhangmehr and Shoham (2007, p. 283) also indicate that 'In spite of some criticisms to his dimensions, the argument that they capture cross-country differences has received extensive support". Williamson (2002, p. 1391) suggests that "To reject totally Hofstede's or similar functionalist models of national culture, before more satisfactory models have been developed, would be to throw away valuable insight".

It seems there is no empirical research to date that supports the superiority of one model over the other. Given the criticism of, responses to, and continued support for Hofstede's model despite criticism, this study adopted the model as part of the theoretical underpinning of the study. It is regarded that Hofstede's model remains the most relevant current approach to explain the effects of culture on budgeting processes. Kirkman, Lowe and Gibson (2006, p. 308) also support that "Hofstede's values are clearly relevant for

additional cross-cultural research”. Based on Hofstede’s dimensions it is anticipated that a significant difference would exist between Anglo-American and Libyan companies operating in the Libya oil sector.

Furthermore, Libya’s culture is relatively uniform throughout the country. There are not two or more cultural groups vying for dominance as in Fiji, Malaysia, and Singapore. In this study equating nation with culture is unlikely to pose significant practical problems (Yee et al. 2008). The study remains aware that non-white residents of Anglo cultures may not conform to the majority.

Research Issues in Budgeting Process

This section provides the definition of the budget and its importance as mechanism of planning and control in organizations. This section with the previous one will be the foundation of following discussion which related to the impact of culture on the budgeting process.

2.5 Definition of Budgeting

Budgets and budgeting are considered as control systems in this study. Budgetary control is a term used when budgets are a part of a management control system and an organization uses budgets for managers to compare actual outcomes to budgeted outcomes as part of their responsibilities (Garbutt 1992). Budgets assist financial and non-financial managers in planning, controlling, coordinating, decisions making, evaluating performance, motivating employees and managers to work harder in order to achieve organization’s goals and its functions. Budget and budgeting also include every aspect of management accounting (Bart 1988; Covalski et al. 2003; Garbutt 1992; Jones 2008; Langfield-Smith et al. 2005; Magner et al. 2006; Milani 1975; Van der Stede 2000; Wu 2005). Budgets are a plan that can be utilized to quantify management’s expectations for financial and/or nonfinancial aspects in quantitative form for the next accounting cycle (Covalski et al. 2003; Horngren et al. 1996; Magner et al. 2006). Horngren, Sundem and Stratton (2005, p. 296) define a budget as “a quantitative expression of a plan of action” and as “an example of a formal business plan”. The definition by Langfield-Smith, Thorne and Hilton (2005, p. 416) of a budget is “a detailed plan that shows the financial consequences of an organization’s operating activities for a specific future time period ...

and it usually viewed as a core component of an organization's planning and control system". Garbutt (1992, p. 1) also defines a budget as "a plan of the future activities of an organization. It is expressed mainly in financial terms but usually incorporates many non-financial, quantitative measures as well". Budgets are a vitally important tool and have potential benefits for almost all organizations (Covaleski et al. 2003; Hansen et al. 2003; Jones 2008; Magner et al. 2006). Budgets facilitate and assist management in the process of planning, organizing, coordinating, and controlling to boost its efficiency (Covaleski et al. 2003; Mendoza et al. 1997). A budget is a comprehensive financial plan that embraces all aspects and expectations of an organization in a quantitative form for the next accounting cycle.

2.5.1 The importance of Budgets to Management and an Organization

Budgeting systems serve as a viewpoint for the next period of time so that organization can anticipate and plan for opportunities and problems thus enabling managers to pursue efficiency (Covaleski et al. 2003; Horngren et al. 1996; Mendoza et al. 1997; Wildavsky 1975). Despite the fact that budgeting is time-consuming and costly in medium and large organizations, budgets are the most extensively utilized tool as budgetary control for controlling and planning (Covaleski et al. 2003; Edmonds et al. 2006; Garbutt 1992; Hansen et al. 2003; Horvath et al. 2000; Magner et al. 2006; Weygandt et al. 2001). In uncertain environments planning and budgeting are especially very important to organization success (Horngren et al. 2005). Planning implies budgets because every plan made by management must be expressed in financial form. Controlling is also incorporated into budgets by comparing actual outcomes with planned outcomes which occurs when budgets are used as a standard for performance measurement (Hofstede 1968).

Budgets bring to light potential advantages and disadvantages to management in advance and make planning always at the forefront of management's minds as a priority. The importance of budgets is in the feedback provided that assists managers to modify their strategic plans (Horngren et al. 1996). It forces managers to think of the next cycle and anticipate and prepare for what may happen. Therefore budgets are an important instrument that helps managers to achieve an organization's goals and serve as a road map towards understanding planning and controlling operations (Horngren et al. 2005; Magner et al. 2006). Horngren, Sundem and Stratton (2005) also argue that one of main

reason behind the failure of many seemingly healthy businesses is management did not have a proper budget.

Organizations must budget their scarce resources such as time, money, energy, raw material, facilities, services, assets, and human resources in order to optimize and maximize utilities and profit from utilizing these resources (Covaleski et al. 2003; Horngren et al. 2005; Magner et al. 2006). A budget implicates and relates to every aspect of management accounting, management control process, performance measurement, cost accounting, and responsibility accounting (Covaleski et al. 2006; Hansen et al. 2003). More importantly, budgets do not help managers just in planning; they also assist in evaluations to compare what happened in the past with what has happens now. They also are used as benchmarks to guide the performance of managers and employees in organizations by measuring estimated performance “budgets” with an actual performance “actual” to discover variances from plans. It is also used for motivating employees (Covaleski et al. 2003). For evaluating performance, budgets are superior (Jones 2008). It is better to compare actual outcomes to expected outcomes rather than comparing actual to past outcomes.

In order to coordinate efforts and objectives of managers at all levels, budgeting assists managers to ensure that objectives of units are achieved and that they meet with an organization’s objectives as a whole (Hansen et al. 2007; Horngren et al. 2005). “The objectives are destination points, and budgets are road maps guiding us to those destinations” (Horngren et al. 2005, p. 298). Budgets also help management to allocate its scarce resources to units that maximize the rate of return on capital employed. In addition, budgets help employees; they tell them what management’s expectations are. Therefore, budgets communicate in both directions from bottom up and from top down. Lower-level managers and employees inform top management how its objectives, plans, and goals will be achieved. Then top management tries to reconcile between units by prioritising its objectives and communicating with each unit to arrive at a final picture of a budget (Hansen et al. 2007). Horngren, Sundem and Stratton (2005, p. 299) state “[T]he budgetary process forces managers to visualise the relationship of their department’s activities to those of other departments and the company as a whole”.

Budgeting process is the activities, processes, and procedures that are taken to coordinate, improve, and develop all financial plans of business in a budget (Edmonds et al. 2006;

Langfield-Smith et al. 2005). Expressing an organization's plans in financial terms is called *budgeting* (Edmonds et al. 2006). Budgets have five purposes in most organizations that facilitate management to achieve its goals (Edmonds et al. 2006; Garbutt 1992; Garrison et al. 2006; Hansen et al. 2007; Hilton 2005; Hofstede 1968; Horngren et al. 2005; Langfield-Smith et al. 2003, 2006; Libby 2001; Loganathan 1997; Mowen et al. 2006; Van der Stede 2000; Weygandt et al. 2001).

1. Planning: budgets are the most vital tools used by managers for planning the future of an organization in the short and long-term or both.
2. Facilitating communication and coordination: optimal communication and coordination between all managers and employees is essential for businesses to plan a company's operations successfully.
3. Allocation of resources: budgets are useful tools to allocate scarce resources of an organization to certain uses and places.
4. Evaluating and motivating performance and providing incentives: differences between the actual results and budgets help management to be able to evaluate performance of employees, managers, departments, divisions, and the whole company.
5. Controlling profit and operations: budgets offer a benchmark to compare actual results with planned results to identify variances.

Budgets can be prepared for long-range plans or short-term plans. Capital budgets are prepared for three years or more which "considers capital acquisitions to be made for a budget period" (Loganathan 1997, p. 6). It deals with decisions for long-range planning related to assets, expenditures, and investments for long periods of time and new products which give the organization insights into its objectives and goals for the future. However an annual budget is short-term planning and is generally prepared for the coming year to give quick insights into the day to day operations of an organization to meet its objectives and goals. Managers should consider both types of budgets because if they only pay attention to long-term objectives they will lose insights into day to day operations and vice versa (Edmonds et al. 2006; Hilton 2005; Horngren et al. 2005; Langfield-Smith et al. 2005).

A master budget is a comprehensive proposal for the first year of a long-term plan that embraces and covers all the individual budgets of departments and subunits in an

organization to illustrate an exhaustive companywide set of budgets for the next financial cycle formulated in quantitative form for financial and/or non-financial impacts including the impact of financing and operating decisions (Hansen et al. 2007; Loganathan 1997; Mowen et al. 2006). The master budget is referred to as “being a comprehensive, organization wide set of budgets” and “it provides a comprehensive picture of the entire budgeting process” (Horngren et al. 1996, pp. 176-9).

A budget is a very important tool for a company’s success if top management and employees accept and support budget data. Budgeting is hard work and needs enthusiasm from top management and their commitment to the budget program. Horngren, Sundem and Stratton (2005, p. 314) state that “The attitude of top management will heavily influence lower-level workers’ and managers’ attitudes toward budgets”. Budgets should not be used to blame or to pressure employees because if this happens it will create mistrust, tension, and hostility between members of the organization rather than better collaboration and efficiency. Therefore, management must know that the most important aspect of budgeting is the human (Garrison et al. 2006). Hofstede (1968, p. 46) states that “Budgets are intended to act as incentives for people to do a better (more efficient) job. The psychology of budgeting belongs to the field of job motivation. Job motivation is a special case of performance motivation and this again of motivation in general”. Budgets have a crucial influence on human behaviour; they assist and motivate managers to perform better and can discourage and decrease the morale of managers (Weygandt et al. 2001).

There are six aspects of budget control processes which are important to budgeting success. (Bailes et al. 1991; Daley et al. 1985; Lukka 1988; Mowen et al. 2006; Ueno et al. 1992) identified these aspects as:

1. communication, participation and coordination processes resorted to in budget planning;
2. planning time horizons-long-term versus short-term planning;
3. structuring of budgetary processes in terms of formalized rules and procedures;
4. budget slack or the extent to which slack is built into the budget;
5. controllability of budgets means the degree to which managers are responsible for the items within their budget; and

6. budget performance evaluation time horizons (short-term and long-term) evaluation time frames.

Communication is essential for coordination to succeed and budgets are a useful method to communicate policies and plans to a company as a whole. Managers and employees are the most important part of the communication process and budgets are also the most important tool available to management to communicate its objectives to managers and employees. Thus, management is responsible for budgets of the company they manage (Horngren et al. 1996). The general definition of management is getting things done through other people. Subordinates, customers, authorities, clients, or the public in general are involved in management and all of them are people, which management is all about (Hofstede 2007). Horngren, Foster and Datar (1996) indicate that the importance of human aspects of budgeting should not be ignored although some managers and accountants emphasize only the mechanics of a budget more than the human aspects. People must not underestimate the fact that the efficiency of budgeting systems greatly depends on acceptance by employees and managers of budgeting systems (Horngren et al. 2005). In order to facilitate communication at all levels of an organization, management should pay attention, comprehend, and support budgets and all aspects of management control systems.

The most influential obstacle that holds back harmonization and harmony in budgeting systems in organizations is often related to culture or more specifically cultural differences (Douglas et al. 2005; Paláu 2001). The interaction between workers and supervisors will occur in the workplace. In this context different preferences will manifest in the workplace where different cultures interact in an organization that operate internationally (Bing 2004). This is especially so with budgeting that involves a variety of activities which are related to human reaction. Milani (1975) argues that human aspects are of paramount importance in budgeting because budgets do not exist without people. Budgets are prepared, controlled, and revised by people to facilitate management's functions. In this regard budgets and budgeting are influenced by employees' behaviours (Milani 1975). When an organization operates in different countries or if they have subsidiaries overseas (especially multinational corporations), management should understand the importance of the human aspects (including the cultural) when dealing with budgets and budgeting. Paláu (2001) also argues that the most influential obstacle

that holds back harmonization and harmony in budgeting in organization is often related to culture or more specifically cultural differences.

Cultural differences will appear between employees in one organization. Employees working in multinational companies are usually hired from the local labour market which means that these employees cannot divert much from their culture, values and norms thus, inevitably cultural differences will arise (Sauers et al. 2009). Therefore, management should consider cultural differences when dealing with employees from different cultures. Rodrigues (1996, p. 302) states that “Learning something about the culture of a country before transacting business there shows respect, and those who understand the culture are more likely to develop successful, long-term business relationships than those who do not”. Culture is known to be an influential environmental issue that might change accounting systems adopted by each different nation (Paláu 2001). Hofstede and Hofstede (2005, p. 20) state that “Managers and leaders, as well as the people they work with, are part of national societies. If we want to understand their behaviour, we have to understand their societies”.

Research Issues on How Does Societal Culture Affect Budgeting Processes

Introduction

Ignoring culture is a significant factor causing failures of multinational businesses when operating internationally (Czinkota et al. 1995; Miroshnik 2002). Culture also has a big influence on human behaviour and managerial thinking which influence the effectiveness and functioning of a company (Chow et al. 1996; Earley 1989; Prabhu 2005; Sengupta et al. 2005). Differences between cultures affect the way that organizations operate in different countries. Awasthi, Chow and Wu (2001) argue that people of different national origins may operate differently because they have different values, norms, beliefs, and cultures. This might affect the adoption process of management practices. Thus management practices may work in one culture and not in another (Mendonca et al. 1996). Cultural differences influence the reaction to and functioning of management accounting systems and it might be risky to transfer an accounting system from a certain culture to another culture without cultural considerations (Collins et al. 1999). Thompson (2003) also argues that management practices which are of a western origin and transferred to non-western countries without cultural consideration is one cause of failure.

For example it is argued that around 50 percent of joint ventures failed between USA and Asian companies because of culture conflicts (Thompson 2003).

Therefore, understanding the effects of culture on members, societies and organizations, and their cognition to different events in different contexts and different business environments is very important for managers of multinational corporations. In those corporations, managers must recognize and consider cultural diversity and also be familiar with differences and similarities between cultures which may hinder or facilitate their management practices from one country to another (Chow et al. 1996; Earley 1989; Mendonca et al. 1996; Miroshnik 2002). If they don't take culture into consideration it will limit their ability to manage and cope with these differences and exploit similarities in their favour.

Multinational organizations also will be positively or negatively affected by cultural diversity (Miroshnik 2002; Radebaugh et al. 1997). Multinational companies with advanced management skills will interface with diverse cultural backgrounds in their subsidiaries that operate according to low management skills (Frucot et al. 1991; Mendonca et al. 1996). In this regard, Galang (1999, p. 703) points out that "Management practices are often transferred without regard to differences among countries that may affect the practice's success". In the same vein, uncritically adopting and importing systems, techniques, and management styles to developing countries from developed and industrialized countries remains problematic. Clearly these techniques work in developed cultures but maybe not in developing countries due to the cultural differences and backgrounds not because of inappropriateness or deficiency of these programs and techniques (Awasthi et al. 2001; Chow et al. 1996; Mendonca et al. 1996).

Face to face communication with cultures has become a real and major problem to multinational corporations in modern management in terms of dealing with different cultures and different countries that have similarities and differences. This is because these countries have different governments, laws, institutions, associations, enterprises, and cultures. A few sociologists, economists, and some people believe that these are the real reasons for the differences in behaviours, feelings, thinking, and acting, between nations (Hofstede et al. 2005). In this regard, there are many challenges facing multinational companies in which foreign subsidiaries operate globally including the important impact of heterogeneous cultural, institutional, and organizational contexts.

Managers responsible for companies' local operations should adapt practices according to localized conditions. This is critical in terms of maintaining their legitimacy and acceptance as perceived by local stakeholders (Sauers et al. 2009). Miroshnik (2002, p. 524) states that "Two fundamental differences between multinational and domestic organizations are geographic dispersion and multiculturalism". In those circumstances managers must be self-aware to be successful. Miroshnik (2002, p. 526) also argues that understanding the diversity between cultures is crucial because it facilitates the reorganization of differences between domestic and global management.

The increase in globalization over the last two decades, especially in business, has made the understanding of cultural differences and the effects on business practice essential (Skarlicki 2001; van der Laan Smith et al. 2005). When managers execute any operations related to planning, organizing, coordinating, and controlling inside an organization they will be coloured by their values and culture. Different managers might act differently in different organizations and different cultures. "Different cultural environments require different managerial behaviors" (Miroshnik 2002, p. 524). Therefore, understanding these differences in culture and value will help managers manage their organizations and deal with employees from different cultures in different countries. Managers also must develop better ways to successfully cope with these differences (Miroshnik 2002).

Managers also need to understand how culture affects planning, coordinating, organizing, and controlling. In a detailed case study of a Sri Lankan textile mill, Wickramasinghe and Hopper (2005) documented how unresolved cultural conflicts lead to silent tensions that eventually crippled the mill. In the same vein, Dahl (2004, p. 10) states that "Many business negotiators, particularly from the West, find it difficult to deal with Chinese business negotiators. Often they have been found to encounter severe problems understanding their counterparts, and interpreting correctly what their counterparts want to convey". For example, westerners expect clear and direct communication of intentions, especially in business contexts, whereas Japanese and East-Asians give a much larger role to silences and intuition in communications (Yee et al. 2008). In the same way, Miroshnik (2002) suggests the best way to manage cultural diversity is to look at the two ways that both cultures manage their own organizations and a hybrid of the two ways would usually be considered culturally acceptable. This may be a better way to manage multinational corporations.

On the other hand, misunderstanding cultural differences might lead managers to mistreat workers (Collins et al. 2005). It might also lead to dysfunctional behaviour when an individual's behaviour is not aligned with the goals of an organization (Mowen et al. 2006). In addition, employees' dissatisfaction with budgetary processes for cultural reasons may lead to reduced job satisfaction, declining performance, absenteeism, and high staff turnover rates (Magner et al. 2006). Human actions underpin the most important aspects of budget preparation, revision and implementation (Milani 1975). Similar to the people they work with, management and leaders are a part of national societies (Hofstede et al. 2005). Due to budgeting being a social activity, based on human interactions, understanding cultural factors and their implications are of critical importance.

Multinational corporations are interested in knowing about the influences of cultural differences on budgeting because they have to deal with different languages, religions, customs and values which vary from country to country. Differences in political-economic environments are anticipated to cause individuals to react to the stress of the budgetary process by appealing to different budget game strategies (Collins et al. 1999). Thus comprehending these differences may help managers to reduce misconceptions, misinterpretations and misapprehensions while they are dealing with budget processes (Ueno et al. 1992). Communication and coordination are extensively needed from employees of a company in order to achieve an organization's budget goals at all levels and guarantee that individual budgets are incorporated into divisional budgets (Ueno et al. 1992).

Many researchers have investigated the influence of national culture using one or more of Hofstede's dimensions on budgetary systems; slack creation behaviour in budget; budget control practice, performance of management, incentive to create slack, the opportunity to participate in the budget; and budgeting behaviour comparing more than one culture (Collins et al. 2005; Douglas et al. 2007; Douglas et al. 2005; Oumlil et al. 2009; Tsui 2001; Ueno et al. 1992). Ueno and Sekaran (1992) studied the impact of culture on budget control practices in Japan and USA and recommend support for future research to include culture as an explanatory variable. They also indicate that future research will assist managers to effectively manage multinational-companies in different nations. Douglas

and Wier (2005, p. 163) state that “Hofstede’s Power Distance and Individualism are expected to influence organizational choices in budgetary system design”.

Culture affects multinational companies operating in different countries because certain countries are radically different in terms of their communication styles and managerial and organizational practices (Drogendijk et al. 2006). However, even though budget control systems are critical to organizational success, studying the influence of culture on budgeting processes remains insufficient (Lau et al. 2000; Ueno et al. 1992). Budgetary systems are different according to different cultures that vary in values, educational background, beliefs, fundamental attitudes, economic policy, and culture cluster (Hofstede 1968). Budgeting systems of multinational companies might be modified to suit different cultures in which they work (Douglas et al. 2005; Radebaugh et al. 1997).

For example, Douglas et al. (2007) investigate the influence of national culture and ethical position on budgetary systems comparing Egyptian managers working in Egyptian firms and Egyptian managers working for USA firms in Egypt. The study examines the influence of Hofstede’s dimensions on budgetary slack, incentive to create slack and the opportunity to participate in the budget. Douglas and Wier (2005) also study the effects of culture differences on budget systems between USA and Chinese managers in terms of relationships between incentives to create slack and slack creation behaviour in budgeting. Martinsons and Davison (2007) discuss the processes of decision making and the effects of national differences on decision making in USA, Japan, and China. They find that the differences in culture between countries are factors that managers need to consider to help them cope with the running of their businesses especially in recent years driven by globalization. Collins, Holzmann and Mendoza (2005) study the relationship between three machistic stereotypes and budgeting behaviour in Latin America and the USA.

Even though the influence of budgetary control systems on the effectiveness of organizations and job satisfaction has been critically examined in previous research, studies on the influence of cultural variations on budgeting have been rare in this context. The difference between countries is due to different shared norms of individuals in each group coming from different cultures. Budgetary systems are different according to different cultures that vary in values, economic policy and culture cluster. Culture also has the role of shaping organizational and individual values which has been ignored by

much prior research (Douglas et al. 2005). Budgeting systems of multinational companies might be modified to suit different cultures in which they work. Understanding these differences helps management of multinational companies to understand and predict how budgets and budgeting processes and practices will differ from country to country (Ueno et al. 1992). This is especially so when dealing with the aspects of budgets and budgeting processes such as participation, voice and explanation, propensity to create slack, using fixed or flexible budget, using the rolling budget, based on rewards, and attitude towards budget.

2.6 Budgetary Participation

Participation in budgeting should include all managerial levels to accomplish a fair budget accepted by levels. If this is the case, managers will be positive towards budgets and they will work harder to achieve their budget (Chong et al. 2002; Hofstede 1968). If not, it will lead to discouragement and create resentment between managerial levels (Weygandt et al. 2001). Milani (1975) states that participation is when employees can choose their own course of action. Participative budgeting is used by superiors to obtain information to reduce uncertainty about superiors' tasks and task environments (Chenhall et al. 1988; Shields et al. 1998). Participation, however, in the budgeting process is very important and researchers must start with theories about participation in decision-making (Hofstede 1968). Dundon et al. (2004) points out that "participation could lead to a beneficial impact on quality and productivity". Moreover, participation by lower level managers in decisions yields more practical plans with open discussions and also provides motivational effects and improvement to the quality of decisions made (Chenhall et al. 1988; Merchant et al. 1995; Pasewark et al. 1990).

Participation might take place in the procedures of planning and performance evaluation of the budget cycle (O'Connor 1995). In this regard face to face participation between subordinates and superior to establish a budget instead of imposing a budget on subordinates is essential for its sufficiency (Horngren et al. 2005; Licata et al. 1986). When imposing a budget on a manager from above, it might cause resentment instead of commitment and collaboration (Garrison et al. 2006). However, when employees receive unfavourable decision outcomes and these outcomes come from unfair decision-making procedures, they will show negative affective reactions towards budgetary decision

makers. These reactions towards budgetary decisions will decrease when employees participate in a budgetary process (Magner et al. 1995; Pasewark et al. 1990).

Participative budgeting communicates a sense of responsibility to subordinate managers and fosters creativity. It is vital for obtaining higher participation in the budgeting process and all characteristics of management control systems (Horngren et al. 1996). Employees are expected to favour high budgetary participation when budget emphasis is high. Lau and Buckland (2000, p. 39) point out that “a compatible combination of high budget emphasis and high budgetary participation is likely to be associated with higher managerial performance than other combinations of budget emphasis and budgetary participation”.

When subordinates are consulted in preparing their budgets that will motivate them to perform better (Leach-López et al. 2009), it makes them feel they are a part of their organization and also motivates them to work harder in order to achieve a budget’s goals. This is because employees will feel this is their budget “this is my budget” therefore they will endeavour to achieve it rather than feel that the budget was imposed on them by management (Hilton 2005; Langfield-Smith et al. 2005, p. 434). Consequently, goal congruence is likely to be achieved when managers’ goals comply with organizations’ goals resulting in higher levels of performance (Mowen et al. 2006, p. 329). This might be achieved when multinational companies’ managers comprehend and take into consideration cultural diversity. However, budgeting processes and participation will vary from culture to culture due to cultural differences (Frucot et al. 1991).

Culture is an important variable in the budget participation-performance process (Leach-López et al. 2007). Therefore the influence of culture on decision makers’ behaviours has become a very important topic in the last decade (Soares et al. 2007). In addition, each culture has different management practices which results in dissimilar perceptions of budget participation. Lau and Tan (1998, p. 168) also state that “national culture is likely to have an impact on the subordinates’ reactions to budgetary participation”. Consequently, Hofstede’s dimensions are relevant to participative budgeting issues (Frucot et al. 1991). Douglas and Wier (2005, p. 163) also state that “Hofstede’s Power Distance and Individualism are expected to influence organizational choices in budgetary system design”.

Douglas and Wier (2005) argue that subordinates in low power distance cultures are involved in planning and decision making. In these cultures subordinates are involved in planning and decision making (Douglas et al. 2005; O'Connor 1995). In low power distance culture inferiors see their superiors as equal and employees expect their superiors to consult them and vice versa thus the expectations in such culture participations are expected to be high (Frucot et al. 1991; Tsui 2001). For example US managers participate more in budgeting processes and the return on investment is regarded as a significant budget goal (Horngren et al. 1996, p. 188; Yee et al. 2008).

On the other hand, in high power distance cultures employees see their superior as autocratic and do not expect to be consulted. Therefore, expectations of participation by employees in budgeting are not expected to be high in such cultures. Decisions are expected to be made by superiors without seeking their subordinates' participation (Frucot et al. 1991; O'Connor 1995; Tsui 2001). Kabasakal and Bodur (2002) argue that in Arabic culture family members are expected to obey the directions and decisions of their father without enquiries. Such norms and values created in a family are extended to society and institutions and encourage receiving inequality of power distribution. In the same vein Becker and Green (1962, p. 401) also stated that

By definition, participation is essential to democratic process and very probably is antithetical to an authoritarian organization. To illustrate the latter, assume that various department heads participate in the decision-making process, prepare a budget, only to have it rejected by upper management without explanation other than that a more satisfactory budget is necessary. The best prediction here is that the participating group will be highly cohesive and hold negative attitudes toward management, a precondition to lowered output

In such cultures Arora (1992) suggests that "To increase the participation potential the system has to have a systematic, strong, legal foundation so that the people in power may be able to exercise only limited discretion". Creating a social environment and increase training and level of education also help to increase the level of participation (Arora 1992). Subordinates know more about their task environment than their superiors do. Participative budgeting is used by superiors to obtain information to reduce uncertainty about superiors' tasks and task environments (Shields et al. 1998).

2.7 Voice and Explanation

Allocating resources of an organization is usually pressured by the scarcity of management resources and conflict over its goals. Budgetary requests cannot be met when organizations operate with scarce resources therefore fairness appears salient in these cases (Libby 1999; Wentzel 2002). Thus management is obliged to prioritize its goals which are ensued by reallocating its limited resources to those certain units that are considered to be at the top of management's priority list (Libby 1999). In this case, final decisions are made by superiors without the involvement of subordinates. This will lead to pseudo-participation because subordinates' perceptions are that their views have not been taken into consideration and therefore have not influenced the final budget. In this regard management should avoid these perceptions of 'pseudo-participation' by providing subordinates with a voice and giving them adequate explanations about the lack of their influence and input in the final budget (Libby 1999). If this is not the case, vast negative effects on subordinates' attitudes towards their superiors and organization may take place.

Participating in decision making is vitally important when managing human resources that give employees participation and/or involvement in decision making and also in budgeting processes (Galang 1999). On the other hand, pseudo participation is the term used to describe the act of top management when seeking only surface participation from subordinates, thus assuming entire control over the budgeting process. In other words, top management is not looking or seeking subordinates' opinions or their input but is just seeking formal acceptance of the budget. Pseudo-participation also is defined as the budgeting process that makes subordinates believe that they will have some influence on the budget that is set, despite the fact that their efforts are unobserved and neglected (Byrne et al. 2008; Libby 1999).

As a result of that the sagacity of participation will not be realized or materialized because top management does not consider or aim to consult subordinates (Lindquist 1995; Mowen et al. 2006). Lindquist (1995, p. 123) states that "In fact, some research has even suggested that anything less than full decision-control of budgets is pseudo-participation". He also states (1995, p. 124) that "the highest participation employees are permitted to make their own decisions (decision-control)". On the other hand, if managers and employees have input into budgets, and can appeal decisions that are made regarding a budget, this will ensure that a budget is based on accurate information and in a regular

way will enhance fairness of the budgetary procedure (Magner et al. 2006). Wentzel (2002) also points out that the perceptions of fairness will be enhanced when participation during budgeting is increased. The commitment of managers to budgetary goals will also be enhanced and performance will ensue.

Real or genuine participation is when each individual has equal power to decide the outcome of a decision (Arora 1992; Lindquist 1995). In this vein, Libby (1999) studied the relationship between fair budgeting processes and subordinate performance. This study differs from traditional participative budgeting as it looks at a subordinate's pseudo-participative point of view. She finds that employees who articulate their voice and receive an explanation perform better than those who have just a voice or an explanation or receiving no voice and no explanation. Byrne and Damon's (2008, p. 208) results also support Libby's study. They state that "They reinforce the importance of an explanation and also show support for the pseudo-participation phenomenon—than an uninfluential voice, despite receiving an explanation, negatively affects performance". They also point out that the type of explanation is more important than simply giving an explanation. This affects performance and perceptions of fairness. In this regard, there is a positive relationship between perceived fairness and performance and the adequate explanation is the positive effect that voice has on performance (Byrne et al. 2008).

However, when managers' perceptions of budgetary procedures are fair their reactions will be less negative from when their perceptions are unfair (Magner et al. 2006; Magner et al. 1995). In the same way, Klammer (1997) argues the most important thing of fairness of perceptions is employees' behaviours and attitudes. Thus if employees accept procedures as unfair the consequence is resentment and organizational retaliatory behaviour (Klammer 1997; Magner et al. 2006). Klammer (1997, p. 491) argues that "Pseudo-fairness can also arise when the basic conflicts of interest between managers and employees are ignored".

Voice, appealing, accuracy, and consistency are the elements of formal budgetary procedural fairness. Participation should clearly outline subordinates' suggestions and information offered should actually be used (Magner et al. 2006). Voice has influential effects on people's lives and also has positive effects on decision making (De Cremer et al. 2008; Lind et al. 1990; Lindquist 1995; Magner et al. 2006). Fuller et al. (2007) concur that studying voice is a very important tool for organization success for a number of

reasons as it allows the opportunity for constructive discussion essential for innovation process, and also improves performance and competence. Lind, Kanfer and Earley (1990, p. 957) state that “voice affects a variety of organizational attitudes and behaviors”. They also argue that voice promotion leads to best performance and improves a positive attitude towards superiors. De Cremer and Stouten (2005, pp. 203-4) also point out that “it can now be concluded that voice is the most accepted and most frequently used manipulation of procedural fairness”.

Libby (1999) finds that more than a few previous studies have considered the impact of voice on performance but no literature appears to have considered the effect of both voice and explanation on performance. However, Brockner et al. (2001) and Klammer (1997) argue that voice is one of the determinants of procedural justice and in this regard has gained great attention. Klammer (1997) argues that by having voice procedures, regardless of the decisions outcomes, which allow people to express their opinions associated with decisions/outcomes, is considered a contribution to the perception of fairness.

When conducting the budgeting process, management should consider two elements: voice and explanation. There has been increasing interest in the notion of employee voice and its effects on organizational performance (Dundon et al. 2004; Lindquist 1995; Van Dyne et al. 2003). Voice implies speaking up and the ability of employees to express vocally their opinions, views, grievances, and dissatisfaction in an organization to issues related to company’s procedures, outcomes, decisions, policies, and important issues and problems (Bies et al. 1988; Dundon et al. 2004; Klammer 1997; Lindquist 1995; Renard et al. 2003; Van Dyne et al. 2003). Klammer (1997, p. 5) states that “When people speak up and offer suggestions for improvement, it increases the likelihood that an organization will take steps necessary toward developing and improving itself”. In other words, the involvement of subordinates in decisions and budgeting processes will improve organisational performance. This also allows them an opportunity to provide and communicate their inputs, ideas, and opinions. Voice includes many things such as: employees’ participation, participative performance appraisal, open door policies, and opportunities to discuss and appeal decisions (Bies et al. 1988; De Cremer et al. 2008; Galang 1999; Magner et al. 2006; Renard et al. 2003; Tata 2005). Harlos (2001, p. 326) defines it as “voice systems represent sanctioned channels for employees to express their

content or discontent” and allowing employees “constructive suggestions even when others disagree” (Fuller et al. 2007, p. 135). It is very important for managers to understand that there are strong effects of voice on diversity of human responses and managerial issues (De Cremer et al. 2008; De Cremer et al. 2005; Van Dyne et al. 2003). The reason is that when people receive unfavourable outcomes allowing them voice, it increases their perception of fairness. They feel that they are valued, treated with respect and dignity that will enhance self-esteem, as compared to if they had not been allowed voice (Lindquist 1995; Magner et al. 2006; Tata 2005).

Explanation means communicating to subordinates justifications and reasons for arriving at decisions made including why particular feedback and inputs have not influenced and/or been incorporated into the final budget (Byrne et al. 2008; Libby 1999). In relation to providing subordinates with sufficient explanations for decisions made about their work (Skarlicki et al. 1997). Magner et al. (2006, p. 411) argue that “Budgetary decision makers should provide managers with clear, timely, and adequate explanations of the reasons for their budgetary decisions”. In certain circumstances the perceptions of unfairness would be reduced by allowing employees voice and giving them an explanation (Horvath et al. 2000; Renard et al. 2003). When making decisions management should consider formal budgetary procedures that give managers an opportunity to voice their opinions in terms of budgetary decisions which ensures accurate information. This also should be followed by dealing with managers in a respectful manner and show them kindness. What is more, managers should be provided with sufficient and satisfactory explanation for the decisions made in relation to the budget while personal biases should be suppressed (Magner et al. 2006). Libby (1999) argues that when voice and explanation are included in the budgeting process subordinates consider the budgeting process as fair and this can lead to higher performance.

These elements may differ from one culture to another. Managers should consider these elements in order to treat employees fairly. That will lead to more productivity, better performance, and satisfaction for employees. Such elements motivate employees because they feel that they are treated with respect and dignity (Horvath et al. 2000; Libby 1999). If this is not the case, it might lead employees to be less satisfied, less productive and less loyal to an organization (Byrne et al. 2008).

It is important that managers of multinational companies understand the nature of real participation when allowing subordinates to voice themselves and providing them with adequate explanation. They must realize that there is cross-cultural variation in this sphere and that people's perceptions of fairness differ according to cultural differences. What is more, cross-cultural studies indicate that differences exist between cultures in terms of the perceptions of procedural justice (Klammer 1997). In particular, adequate voice and explanation, which are key parts of procedural fairness, may be perceived differently across cultures (Magner et al. 2006; Yee et al. 2008). Voice and explanation have an influential impact on performance, commitment to an organization and employees' attitudes and behaviour towards organizations (Byrne et al. 2008; Libby 1999). So it is vitally important to managers to know the differences between people in term of their perception of fairness. Lindquist (1995) also points out that allowing employees to participate in budgeting will increase employees' satisfaction with budgets, performance, and job satisfaction.

Budgeting systems are likely to vary according to culture, especially where manager(s) and worker(s) are from different cultural backgrounds where the opportunity for conflict arises. Skarlicki (2001) argues that individuals' interpretations of events and definitions of appropriate behaviours are influenced by culture. Lau and Buckland (2000, p. 38) also state that "The impact of diversity within national culture on the dispersion and range of budgetary participation has largely been overlooked". Galang (1999) studies voice and choice in the workplace to participation in decision making regarding to power distance. He argues that understanding and taking into consideration cultural differences and how such differences influence social behaviours are fruitful efforts especially when operating internationally. Kim and Leung (2007) support the argument that employees in collectivism and high power distance societies react against unfair treatment from authorities less negatively.

In the same vein, power distance influences procedural justice perception. High power distance cultures demonstrate a preference for more autocratic processes compared to cultures with low power distance (Klammer 1997). In addition the way people judge received outcomes (distributive justice), consider procedures used to decide outcomes (procedural justice), and the extent they have to express their opinion (voice) all influence people's judgments regarding fairness (Brockner et al. 1996; De Cremer et al. 2008; De

Cremer et al. 2005; Klammer 1997; Wentzel 2002). If employees accept procedures as fair their attitude, behaviours, organizational commitment, job satisfaction, and performance will be more positive in an organization (Cropanzano et al. 2002; Klammer 1997; Lindquist 1995; Magner et al. 2006).

Clearly people from different cultures may have different opinions as to what constitutes effective and acceptable voice and explanation. Yee et al. (2008, p. 876) argue that “the concept of fairness and the very act of perception itself most likely vary significantly from culture to culture”. Individuals may react differently to explanations due to individual diversity (Horvath et al. 2000). Culture has the role of shaping organizational and individual values, a discipline ignored by much prior research (Douglas et al. 2005). Horvath, Ryan and Stierwalt (2000) indicate that race and gender might interact in perceptions explanation. They advocate for future studies to explore the impact that culture has on voice and explanation.

Despite the fact that voice and explanation have been studied to a certain extent in terms of cross-cultural differences and decision making, in relation to budgeting processes voice and explanation appear neglected in regard to the extent they might be influenced by cultural differences. Previous literature reviews indicate that none of the earlier studies (Brockner et al. 2001; Byrne et al. 2008; Detert et al. 2007; Horvath et al. 2000; Libby 1999, 2001; Tangirala et al. 2008) have attempted to empirically address how culture influences perceptions of the effectiveness of voice and explanation in the budgeting process. Cross-cultural studies enhance the understanding of managers working in workplaces that are culturally different regarding principles of justice and fairness in various cultures (Kim et al. 2007).

Culture is an important factor that has a moderating effect on employees’ perceptions to voice and also knowing how to use voice that will make managers acquire support from employees for their decisions (Brockner et al. 2001). They also found evidence that cultural differences in power distance have an influence on employees’ perception to voice in decision making. In this vein, ignoring societal culture is not acceptable unless there is acceptance that culture of the United States, where the majority of studies have been undertaken, is prevailing and universal in nature (Greenberg 2001). Brockner et al. (2000, pp. 138-9) stated that “there are theoretical reasons to believe that the magnitude

of the interactive relationship between procedural fairness and outcome favourability will vary between national cultures”.

The influence of culture on procedural justice perceptions varies between studies (Kim et al. 2007). Kim and Leung (p. 85) argue that “there are several studies that show significant cross-cultural differences in the effects of procedural and interactional justice on employee outcomes”. On the other hand, Morris and Leung (2000) found similarities between countries in the perception of procedural and interactional justice. Brockner et al. (2001) found that when managers have little voice in decision making processes, their reactions vary across cultures from favourable to unfavourable depending on the level of power distance. It can be argued generally, people accept that justice is important but they characterise it in a different way in practice (Greenberg 2001). It is also vitally important to comprehend the correlation between culture and fairness because people’s perceptions of justice are different according to their cultural backgrounds and also fairness is inherently based on cultural norms, beliefs, and values (Greenberg 2001; Tata 2005).

Although in an individualistic culture managers seek their subordinates’ involvement in decision making they retain the authority for decision making to themselves and may show a strong propensity for counselling and a pseudo-consultative style (Ali 1993). An executive from a culture that values silence and intuition may lead an employee from a culture that values frank and direct communication to believe that there has been true participation when there has really only been pseudo-participation (Yee et al. 2008). In low power distance ‘justice’ societies, equality prevails among people at different organizational levels (Greenberg 2001; Hofstede et al. 2005).

In Western cultures employees often have input into decisions while in Eastern cultures usually decisions are made from high power positions and employees may have no or less input. Thus, voice might have different affects according to cultural diversity (Brockner et al. 2001). De Cremer, Cornelis and Van Hiel (2008, p. 65) argued that “Procedural fairness depends on how people interpret the situation, and such interpretations may vary as a function of individual difference variables”.

2.8 The use of Rolling Budgets

Rolling or continuous budgets are forms of master budget. In this case budgeting becomes an ongoing instead of periodic process (Yee et al. 2008). Horngren, Foster and Datar (1996, p. 179) defined rolling budget as “a budget or plan that is always available for a special future period by adding a month, quarter, or year in the future as the month, quarter, or years just ended is dropped”. Rolling budgets are periodically updated by adding new month or months and dropping the month or months just finished. For example budgets are prepared by adding one month to the budget as the ended month is dropped. This type of budgets help managers to think forward instead thinking just of one month, Also it helps to add new 11 months that might make managers revise and update the remaining 11 months. They allow managers to compare actual results from one month to the same month of the budget (Horngren et al. 2005). The use of rolling budgets in budget performance is positively related to the short term planning (Hansen et al. 2004; Yee et al. 2008).

2.9 The creation of Budgetary Slack

Budgetary slack or padding the budget refers to the practice of overestimating budget costs or underestimating budgeted revenues in order to make the achievement of budgeted targets simpler. Budgetary slack also is exaggerating costs or minimizing revenue which may lead to undermining the effectiveness of budget (Douglas et al. 2005; Onsi 1973; Staley et al. 2007; Ueno et al. 1992; Wu 2005). Little, Magner and Welker (2002) argue that the tendency to create budgetary slack is the intentional inclusion or submission of biased budget estimates that are easier to attain, and usually occurs when performance and rewards are based on achieving the budget's target.

There are many factors that assist in creating slack in an organization such as the extent of growth in volume of sales, profitability, behavioural aspects, and satisfying personal objectives for members of the coalition and other factors (Onsi 1973). Managers who create slack in budgets may well attain more rewards or progress in their unit's performance thus leading to self-interested behaviour. Managers who are often rewarded on the basis of reaching a budget's goal will be rewarded more than they ought when their budget is full of slack (Rankin et al. 2008; Staley et al. 2007; Ueno et al. 1992). Covaleski et al. (2003) indicate that employees who have superior information related to their task

also have the ability and incentive to manipulate information or create budgetary slack. Daley et al. (1985, p. 94) state that “Slack considered to be affected by the level of budget difficulty and the manager’s freedom to shift costs among various budgets”. Magner et al. (2006) find that the implementation of fair formal budgetary procedures might reduce the tendency of managers to create budgetary slack.

Allowing managers to have their input into the budget, and allowing them to appeal decisions that are made regarding the budget will ensure that the budget is based on truthful information and in a regular way will enhance the fairness of the budgetary procedure (Magner et al. 2006). This approach will increase loyalty to an organization and enhance trust in a supervisor thus lessen the tendency to create budgetary slack. Van der Stede (2000) found that management short-term orientation and creating slack in budget are seemingly related. A rigid budgetary control style depends on incentives for all employees at all levels of an organization who will be evaluated mainly on achieving their budget.

Budgetary slack has drawbacks on organizational performance because distortions may occur in the allocation of resources. When management predominantly involved in budgeting, slack in the budget is low. In collectivistic societies the interests of individuals shift to the group and creating budgetary slack for personal goals comes after the interest of the group (Ueno et al. 1992; Wu 2005). However, Douglas and Wier (2005) argue that to create slack in budgets is ethical and individual philosophy.

2.10 The Basis of Rewards

Rewards and extra bonuses are the best way to improve performance in relation to budget (Garbutt 1992). Budgets affect attitudes of managers in terms of personal rewards when dealing with allocation of resources to units which facilitate performance of units (Magner et al. 2006). Achieving a unit’s budget makes managers more likely to consider themselves as winners since they consider this as ‘self-esteem’ psychological rewards. Incentive rewards should logically relate to the achievement of performance targets (Garbutt 1992).

Career prospects, resources and salaries will be largely based on the abilities of managers to achieve their budgets. Managers receive extra resources that will help them to easily

achieve their budget's performance and thus gain material rewards (Magner et al. 2006). Failing to achieve a budget target will lead to interventions by top management. Employees who do not meet their budget might be penalised by reduced bonuses or miss opportunities for promotion. These penalties will drive managers to work on their performance in the short-term to look better but forget their performance in the long-term and this may cause harm to the organization in terms of long term efficiency (Van der Stede 2000). Managers have the tendency to make future performance of their units' results easier to achieve by attempting to secure more resources for their units. This behaviour stems from self-interest which can lead to better performance following by psychological rewards (Magner et al. 2006; Otley 1978).

One aspect of total job performance is budget performance. When a budget is linked to an employee's performance appraisal it becomes motivational and important to employees (Otley 1978). Linking budget to an employee's performance shows if they are going to succeed to meet a budget's target and as a consequence they will receive promotion, remuneration, rewards, and bonus payments (Lau et al. 2008; Libby 2001). Evaluating and rewarding employees on the basis of their performance have significant influence on individuals' behaviours (Awasthi et al. 2001). The material rewards of managers in some organizations are likely to be linked to achievement of their budgets (Magner et al. 2006; Van der Stede 2000). Hofstede (1968, pp. 126-7) also states that "Higher performance by the budgetee is a consequence of higher performance motivation". In this regard, the main deterrent of employees' behaviours is fairness of appraisal systems whereas fairness of these systems leads to favourable employee commitments and performances (Lau et al. 2008).

Sauers et al. (2009) compare performance evaluation practices between USA subsidiaries working in Taiwan and their parent companies and those of large Taiwanese companies in order to gain a better understanding of how multinational companies operate globally adjusting to competing demands for local responsiveness and global integration. They found that societal culture plays a critical function within the adoption of performance appraisal practices.

This study is investigating the extent to which two cultures of Libyan and Anglo American companies operating in the Libya oil sector use budgets as a basis for a rewards

system. In this regard, this study is looking at the influence of culture in choosing the basis of rewards.

In individualistic societies individuals work hard in order to improve their performance because of credit they might receive, whereas in collectivistic societies individuals work hard to improve performance because of the achievements of their group. People who work in a group might reduce their performance without loss knowing this short-term outcome in performance will be attributed to lack of coordination in group performance (Earley 1993). Conversely Earley finds individualists feel more efficacious and perform better if they work alone. In contrast, Earley argues that other studies have found that performance of individuals in a group is better than their performance alone. In collectivistic societies people are encouraged to engage in cooperative activities from their childhood so their efficacy from earlier childhood is shaped by group settings (Earley 1993). These experiences foster their expectation to perform better in a group setting. Earley also found that collectivists perform better in groups than they do out of groups or alone. Also collectivists see their individual work as satisfaction if they can achieve contribution to the group (Earley 1993). Earley (1989) found that individualist's performance working alone was higher than individualist's performance working in a group setting while collectivists perform better when working in a group setting than working alone.

In Western cultures feedback in the area of performance evaluation is confrontational, which is not appropriate for employees in developing countries where face-saving is regarded as more essential than learning from performance evaluation (Douglas et al. 2005; Mendonca et al. 1996). In individualist societies, employees' performances improve when they receive direct feedback from their supervisors while in collectivist societies employees do not like direct feedback. Employees who receive negative direct feedback may be damaged by loss of face and this might have a negative impact on their loyalty to an organization so they prefer indirect feedback (Hofstede 1995). In this regard, Radebaugh, Gray and Arpan (1997) found that American managers tend to be more involved in the budgeting process and are evaluated by budgets as well as rewarded or penalized by budgets. Kim and Leung (2007) also found Americans favour a fair distribution of rewards.

Yasin and Stahl (1990) also support that Anglo-American culture is achievement and power oriented. On the contrary, Ali (1990) found that in Arabic management obedience and submissiveness are rewarded while creativity and original thinking are condemned. The rewards for Arabic managers seem to be given to managers who have power orientation and lack affiliation and achievement needs (Yasin et al. 1990).

Mendonca and Kanungo (1996) argue that in feministic oriented societies interpersonal relationships are more important than performance and meeting or achieving an organization's goals. They also state that job autonomy is a more valued non-economic reward in Western countries whereas in developing countries satisfying security and social needs is the reward that is valued more. In masculine cultures where people believe they 'live to work' there is a great emphasis on accomplishments, money and competition thus rewards for employees are usually based on their performances (Dwyer et al. 2005). Achievement through ability is also most valued in Western management particularly by Americans while East-Asians consider effort as a significant moderating element that interacts with the ability to achieve (Yee et al. 2008). Feminine societies, where people believe they 'work to live', their emphasis is on interpersonal relationship and environment.

In individualistic societies individuals see to their behaviours to recognise their status in relation to other members in society. Therefore, individualists' performances will be improved according to the recognition they receive. In collectivistic societies individuals consider the importance of their behaviours from the recognition of other members in society. Hence individuals' performances will be improved based on the gains of their group (Earley 1994).

Usually in the accounting management discipline line managers are rewarded financially when they achieve their budget targets. A budget is a very important tool mostly used for performance measurement and evaluation, rewards, and remuneration (Wu 2005). In fact this study considers whether societal culture affects management in choosing the basis of rewards for individuals. Therefore, expectations of rewards for individualists should be based on an individual's performance in attaining budgetary targets (Earley 1989). In contrast, collectivists are not willing to sacrifice by their group for personal goals (Earley 1993). Therefore, rewards will be based on overall company's profits. Yee et al. (2008) found that rewards based on the overall actual profits not based not on individuals'

performance the reason why is because the company budget for loss as well. That means when a company makes a loss no employee will be rewarded or penalised. They related this to Japanese collectivism 'group orientation'.

Future studies have been encouraged to investigate the impact of culture on performance and rewards systems on employees' satisfaction. Performance is unlikely to succeed if the culture does not ready to see performance as important.

2.11 Follow up on Budget Variances

The differences between budget and actual amounts are called variances; variances can be either favourable or unfavourable (Edmonds et al. 2006, p. 315). Budgets provide quantitative information for performance evaluation even though budgets are not used as a means of performance evaluation in many instances (Otley 1978). Using a budget as a benchmark for evaluating performance is better than using past performance as a benchmark. This is because past performance includes substandard and miscued performance as well as past performance that might differ from expected performance (Hornigren et al. 1996). In addition, by evaluating recent year variances and comparing these with planned budget year allows managers to make sure that corrections have been incorporated into plan to avoid considerable variances in the next year (Weggeland et al. 2003).

For profit maximising organizations, investigations of unfavourable variances are designed to penalise workers whose performances are less than expected, while favourable variances might lead to rewarding employees whose performances are higher than expected (Covaleski et al. 2003). In this case management will take action. Budget action is when management attribute budgetary variances to a manager's area of responsibility (Collins et al. 1984). Budget performance evaluation is when management uses budget variances in performance evaluation of individuals (Collins et al. 1984). Garbutt (1992, p. 100) states that "The achievement of performance targets should logically lead to incentive rewards".

In individualistic and low power distance cultures objection and frank discussions are preferred by individuals whereas in collectivistic and high power distance cultures indirect and politeness objection are preferred (Tsui 2001).

2.12 Attitudes toward Budgets

Zikmund (2000, p. 288) states that “An attitude is usually viewed as an enduring disposition to respond consistently in a given manner to various aspects of the world, including persons, events, and objects”. Robbins et al. (2008, p. 74) also define attitudes as “evaluative statements—either favourable or unfavourable—concerning objects, people or events. They reflect how one feels about something”. Attitudes contain cognition of an event that affects an employee consequently, resulting in certain behaviours. Attitude towards the job is managers’ feelings, opinions and tendencies of employees about their current jobs. Attitude towards a company is opinions, feelings and tendencies of employee about his or her recent company (Milani 1975). The feelings about things such as person, object, company, or product are often conceptualized by one’s cognitions or beliefs (Zikmund 2000). In this regard, Collins (1978) considers budgetary response attitude as having two facets; positive ‘functional’ and negative ‘dysfunctional’ response attitudes.

Knowing the attitudes of employees towards a budget will help managers to enlighten and motivate employees’ attitudes towards a budget and budgeting. Abboushi (1990) indicates that managers should familiarise themselves with individuals’ work-value profiles because attitudes toward different aspects of work are moderated by individual variables. In this regard, Magner, Welker and Campbell (1995) and Milani (1975) found that participation improves employees’ attitudes towards all organizational goals. Also they argue that a good attitude towards an organization leads to overall enhanced performance. Milani (1975) and Collins, Seiler and Clancy (1984) also found that participation was correlated strongly with positive budgetary attitude.

Individuals utilize budget games which use certain tactics to obtain what they want in their desired budgets (Collins et al. 1999; Collins et al. 1987). There are different types of budget games in terms of budget attitude to get desired budget. Collins, Almer and Mendoza (1999, p. 242) state that “*Budgetary Effort* refers to how hard one strives to achieve their given budget”. In this direction, individuals might endeavour to keep last period’s budgetary amount or look for extra amounts compared to last budgetary amounts ‘incremental pattern’. Garbutt (1992) indicates many organizations assume that budgets will grow each year even though this approach is criticised from scientific management

that will lead to avoiding scrutiny of all activities to insure whether they are necessary or not. Individuals also might present facts to their superiors to obtain their desired budgets 'economic pattern'.

Devious behaviour is usually undertaken when individuals focus on personal objectives rather than a budget's objectives 'devious pattern'. Wu (2005) states people look for their goals before an organization's goals. Magner et al. (2006) also argue that the reaction of managers towards fairness of their budget is less than their reactions towards the fairness of an organization's budgetary procedures. Individuals might use devious behaviour to obtain what they want in their budgets and may add some unwanted new items into budget as a decoy. Besides, some individuals may use their friendship with their superiors to achieve their objectives. Adding small new items and asking for small amounts for it in order to ask for more next year is known as a 'friendship pattern' (Collins et al. 1999). Collins, Almer and Mendoza (1999) also found devious and economic types of budget games were not favourable to Latin American respondents compared to American respondents. They relate these findings to cultural differences and both cultures predominantly from European cultures. Individualism is positively related to dysfunctional activities like manipulating performance (Chow et al. 1996). Their interesting findings are that using devious types of behaviour are likely to have high budgetary efforts (Collins et al. 1999).

Negative attitudes and behaviours may occur as a reaction by managers due to their perceptions to achieving unfavourable budgets or if they feel that their units receive less than what they need (Magner et al. 2006). The general attitude towards a budget is high when employees have knowledge to communicate in the budgeting process while the general attitude towards a budget is low when employees do not have knowledge to communicate in the budgeting process (Wu 2005). Collins (1978) found no significant relationship among tenure, age, and organizational status and response attitudes towards budgeting.

Central American managers view budgets as financial restrictions, protect resources and a source of certainty while American managers view budgets as tools of performance evaluation, financial objectives, and planning. All of these differences are related to various levels of environmental turbulence between Central America and North America (Collins et al. 1999; Mendoza et al. 1997). Managers have to understand values, attitudes,

and cultures of employees in order to be able to predict their behaviours which enable managers to work and manage those individuals across cultures (Robbins et al. 2008). Wu (2005, p. 30) argues that “Therefore, one may see how the attitude towards the budget setting process would differ between culturally different societies”. Collins, Almer and Mendoza’s (1999) study shows differences between Latin Americans and North Americans regarding how individuals strive to achieve their budgets. Mendoza, Collins and Holzmann (1997) found that Central American superiors see budgets as less critical than North American superiors. In this regard, culture should be considered to recognize how different people from different cultures might have different attitudes towards the budgetary process.

Tsui (2001, p. 138) concludes that “In designing management control systems, top managers of multinational corporations should be aware of the extent to which reward and evaluation systems and decision-making processes reinforce differences in culture”. The attitude of subordinates towards the budget will be determined by the level of sharing the information (Wu 2005). Wu argues when the budget is considered a tool of control, yardstick of performance, evaluation of performance, and incentive of individuals’ accomplishments attitudes towards budgets will be high. For example, in Japanese companies the budget is considered a form of documentation more than an influence on expenses. Besides, Collins, Almer and Mendoza (1999) found that the budget in general is more important to North American respondents than to Latin American respondents. Wu argues that in Western management the budget is used for planning, controlling, performance evaluation, and cost reduction. In Japanese firms however, a budget is not considered for performance evaluation and is also not tied to rewards.

An individual’s attitude varies from one culture to another, for example Aaker (2000) found that North Americans have more favourable attitudes toward appeals that focus on self improvement, self reliance, and the achievement of personal goals relative to Koreans. The selection or attitudes towards colours also differ in different cultures. Asian respondents had greater tendency for red wrapping papers than Canadian respondents (Chattopadhyaya as cited in Aaker 2000). In this regard, Mendoza, Collins and Holzmann (1997) studied cultural differences and environmental factors that affect the attitude towards budget attitudes and practices. They find that North American managers

have more positive attitudes towards budgets and consider budgets as more important than their counterparts in Central America.

Mendoza, Collins and Holzmann (1997) found North American use of budgets for traditional purposes such as performance evaluation, financial objectives and planning is greater than their counterparts in Central America especially in using budget for personal performance evaluation. They related more to environmental factors rather than cultural factors. They conclude that management's perceptions of using budgets as a performance directing tool and as a goal setting are culturally sensitive.

Lower-level managers usually want to manipulate or distort information for budget preparation. This behaviour is considered dysfunctional for planning and manager evaluation. If this is the case, senior managers must strive to eliminate and discourage these behaviours 'budgeting gamesmanship' (Bart 1988).

2.13 Long or Short-term Budgets

Garbutt (1992, p. 11) argues that short-term budgets "normally apply to a one-year period but the budget period is divided into shorter intervals for control purposes, so that action can be taken if actual results diverge from budget".

Planning for the future is different from culture to culture. In high uncertainty avoidance societies members are discouraged from risk-taking (Mendonca et al. 1996). In such societies, ambiguity and unknown circumstances are not easily tolerated or handled (Hofstede et al. 2005). In this regard Zaharna (1995) found that Anglo-American culture is future oriented. They engage in planning and formulating time charts while Arabic culture is more likely to be past oriented as every action in the future dictated by "Inshallah" or God willing. In such societies managers, ambiguity and unknown situation are easily handled and tolerated (Hofstede et al. 2005). In strong uncertainty avoidance societies, managers tend to utilise long-term budgets to reduce anxiety and stress from the future while on weak uncertainty avoidance societies managers engage in short-term budgets to reduce immediate anxiety and stress (Ueno et al. 1992).

2.14 Flexible and Fixed Budgeting

Usually every year management accounting department estimates manufacturing overhead budget costs as a part of the budgeting process (Langfield-Smith et al. 2009). The master budget is known as a static or fixed budget because it is prepared on the basis of only one level of activity which usually differs from the actual level. Flexible or variable budgets are prepared to show costs and revenues for more than one activity levels. Revenue and cost behaviour caused by changes in activity should be determined and incorporated in a flexible budget. A flexible budget might be seen as “Give me any activity level you choose, and I’ll provide a budget tailored to that particular level” (Edmonds et al. 2006; Horngren et al. 2005, p. 341).

Garrison, Noreen and Brewer (2006, p. 492) state that “When a flexible budget is used in performance evaluation, actual costs are compared to what the costs should have been for the actual level of activity during the period rather than to the budgeted costs from the original budget”. Yee et al. (2008) find that high power distance, high uncertainty avoidance, and low individuality are consistent with an emphasis on a master budget over a flexible budget. In their study they also found that a flexible budget is not used formally.

Gap in the Literature

The evidence from the literature shows that differences between countries in terms of accounting systems and management practices including budgets and budgeting process are attributed to cultural differences.

After a review of the literature, it seems very little research has focussed on cross-cultural studies of Arab and North Africa countries (Parnell et al. 1999). There is also a dearth of research addressing the impact of social culture on management practice and budgeting process and comparing Western culture ‘developed countries’ (Anglo-American), and non-Western culture ‘developing countries’, North Africa in general and a Libyan context in particular.

The literature points out that there is a little literature focus on the effects of societal culture on budgets and budgeting processes in the oil industry despite its tremendous

importance in both developed and developing countries. In this context, the philosophy of cultural influence on budgets and budgeting processes is extensively discussed in manufacturing and services industries but rarely discussed in the reality of business that is as culturally diverse as the oil and gas industry in emerging nations such as Libyan context. Despite the fact that the oil industry operates internationally and faces the dilemma of a diverse workforce it has not been studied to the same extent. The impact of cultural differences on budgeting has been examined in many developed countries and many of these studies have been restricted to the manufacturing and service industries (Lau et al. 1998; Sauer et al. 2009) even though, the subject of cultural diversity is most relevant for multinational corporations which have many subsidiaries across the world. The numbers of multicultural workforce employees in companies that operate in the oil industry increase the number of senders and receivers which require precise and concise information and special techniques to convey information accurately (Weijermars et al. 2008).

It seems there are no studies that have directly and sufficiently investigated how societal culture affects voice and explanation in the budgeting process. Therefore, this study differs from previous studies because it considers how the two cultures differ in budgets and budgeting process on cultural dimensions. This study investigates if there are any differences between Anglo-American and Libyan cultures in terms of voice and explanation in their budgeting processes.

Previous studies on how societal culture affects the budgeting process usually focuses on two or three aspects of budgets and budgeting processes. However, this study encompasses many aspects of the budgeting process in the different context of Libyan which has not been studied previously.

Chapter 3 Research Design and Methodology

The review of the related literature in the previous chapter provided the concept of culture and the cultural differences in behaviours and management practices. Chapter two also emphasized that cultural difference affect budgets and the budgeting process. This study aims to examine budgets and the budgeting process in Libyan and Anglo-American companies operating in the Libyan oil sector. To identify how and to what extent societal culture dimensions affect the budgeting process and also how each societal cultural dimension affects each aspect of budgets and budgeting process. This chapter outlines the research design and research methodologies adopted to systematically collect and analyse appropriate data to address the research questions.

Research Design

3.1.1 Research Questions

The literature points out that cultural difference exist between management practices in different cultures generally and between developed Western culture and developing non-Western cultures in particular. The aim of this study is to examine how societal culture affects budgets and budgeting process comparing Libyan culture and Anglo-American culture. In order to achieve this aim the following research question and research issues are addressed:

“How and to what extent do societal cultural dimensions affect budgets and budgeting process in Libyan and Anglo-American companies operating in the Libyan oil sector?”

Research issue 1: *How does each societal cultural dimension affect certain aspects of the budgeting process?*

Research issue 2: *To what extent are Libyan and Anglo-American employees aware of the potential influence of societal culture on the budgeting process?*

3.1.2 Conceptual Model

Hofstede's Four Societal Cultural Dimensions:

This study used Hofstede's (2001) model in order to address the research question of the study. The justification of using Hofstede's model presented in (see section 2.2.1 and 2.2.2). The four societal cultural dimensions (power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity) were used to identify the effects of each dimension on each aspect of budgeting process (figure 3.1).

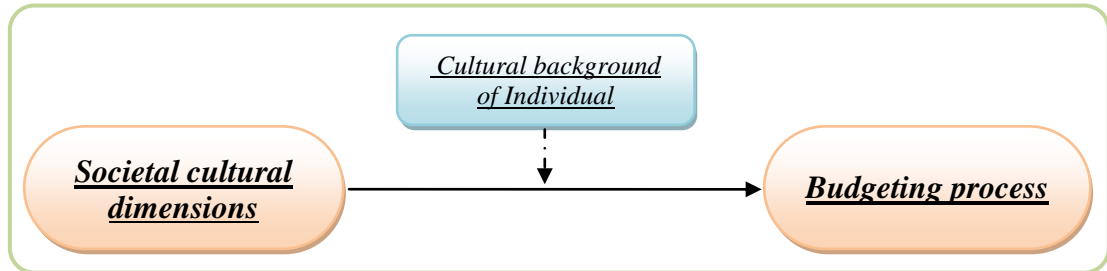


Figure 3:1: Conceptual model.

3.1.3 Research Hypotheses (research issue 1)

Research issue one was addressed by eleven hypotheses. These were tested to examine the conceptual model and how societal cultural dimensions influence certain aspects of the budgeting process in Libyan and Anglo-American companies operating in the Libyan oil sector outlined as followed:

Hofstede & Hofstede (2005, p. 46) define power distance (PD) as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Institutions are the basic elements of society, such as the family, the school, and the community; organizations are the places where people work”.

According to Hofstede's model (2001) as can be seen from Table 1 chapter two, Arab countries are classified as high in PD. This means that participation between managers and employees will be expected to be less in such societies. Budgets will be imposed on employees from top levels without seeking their subordinates' participation (Bjerke et al. 1993; Chong et al. 2002; Douglas et al. 2005; Harrison 1992; Hofstede 1968; Hofstede et al. 2005; Lau et al. 2000; Lau et al. 1998; Milani 1975; O'Connor 1995; Shields et al. 1998; Tsui 2001; Ueno et al. 1992). On the other hand, Anglo-American countries are classified as low in PD. This means that managers seek their subordinates' participation in the budgeting process and give them the opportunity to express their ideas and thoughts. As well managers will give their employees more explanations about the differences in budgets. Voice and explanation may be different between Libyan and Anglo-American companies (Ali 1993; Harrison et al. 1994; Hofstede 2001; Libby 1999;

Magner et al. 2006; Magner et al. 1995; Miroshnik 2002; Yee et al. 2008). To identify if there are differences between Libyan and Anglo-American companies hypotheses 1, 2 and 3 (Figure 3.2) were tested.

H1: *Participation of employees in the preparation of budgets will be higher in Anglo-American companies than in Libyan companies.*

H2: *Employees in Anglo-American companies are expected to have more voice (say) in the budgeting process than employees in Libyan companies.*

H3: *Employees in Anglo-American companies are expected to gain more explanations about changes in their budgets in the budgeting process than those in Libyan companies*

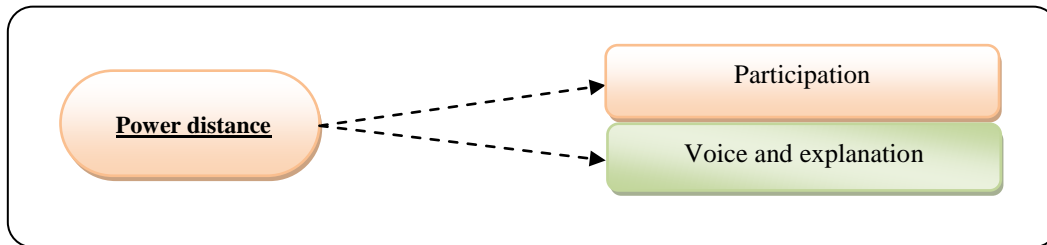


Figure 3:2: part of conceptual model-predicted effect of power distance on budgeting process

Hofstede & Hofstede (2005, p. 167) define uncertainty avoidance (UA) “the extent to which the members of a culture feel threatened by ambiguous or unknown situations”. Uncertainty and anxiety are when you are worried or afraid from something unknown.

Arab countries are classified as strong in UA whereas Anglo-American countries are classified weak in UA (Table 1) chapter two. In societies where UA is strong members of organizations will be afraid of the unknown circumstances and ambiguous situations so they will gather a lot of information and make lots of rules to decrease anxiety and concern about the unforeseen future (Harrison et al. 1994; Hofstede 2001; Ueno et al. 1992; Van der Stede 2000). Long-term planning will be used in strong UA societies; also long-term budgets will be favoured. In societies where UA is weak, members of these societies will be less anxious and worried about the unknown (Harrison et al. 1994; Hofstede 2001; Ueno et al. 1992; Van der Stede 2000). Short-term planning will be favoured in weak UA societies and managers will use a rolling budget and flexible budget. Using rolling budgets to improve performance allow managers to evaluate their subordinates during short periods of time when variances occur to avoid such variances early and try to solve promptly any deviations arising in the previous period (Douglas et

al. 2005; Harrison et al. 1994; Hofstede 2001; Ueno et al. 1992). Slack in a budget is related to UA. In societies where UA is high, managers will create slack in a budget to reduce the unknown future by having some extra resources. To examine the influence of uncertainty avoidance on budgeting processes in both Libyan and Anglo-American companies hypotheses 4, 5, and 6 (figure3.3) were tested:

H4: *Anglo-American companies prepare long-term budgets to a lesser extent than Libyan.*

H5: *Anglo-American companies adopt flexible budgeting practices to a larger extent than Libyan companies.*

H6: *Anglo-American companies use rolling budgets to a larger extent than Libyan companies.*

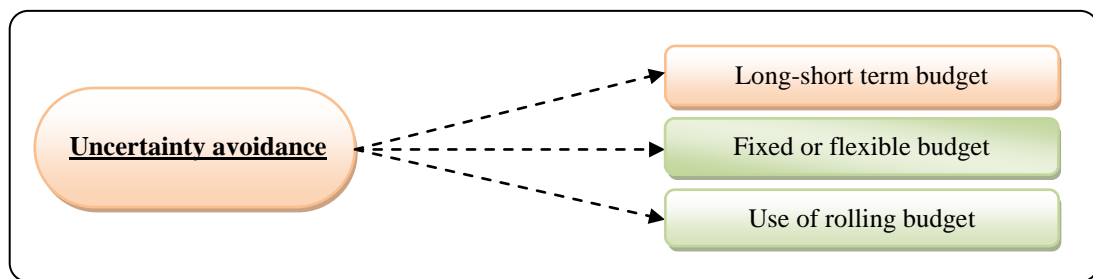


Figure 3:3: part of conceptual model-predicted effect of AU on budgeting process

Hofstede & Hofstede (2005, p. 76) define individualism-Collectivism (IC) as

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which throughout people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty.

In individualist societies managers will care about themselves and they will look for personal benefits and try to enhance their performance which leads them to create slack in budgets so they can achieve budgets' goals and obtain rewards based on that achievement (Aycan 2000; Douglas et al. 2007; Douglas et al. 2005; Hofstede 2001; Miroshnik 2002; Staley et al. 2007; Ueno et al. 1992). Individual Protestant work ethic and high achievement in Anglo-American societies are bases of individualism (Ali 1993). Managers in collectivist societies are group-oriented (Miroshnik 2002). Therefore they will not be encouraged to create slack in budgets because managers will not obtain rewards from achieving budget targets. Achieving budget's goal will be related to the

group's achievement not to the individuals' (Magner et al. 2006; Tsui 2001; Ueno et al. 1992). Variances will also be followed and reports will be sent to evaluate individuals' performances in individualistic societies. While in collectivist societies variances will not be related to individuals but to the group so there will be less attention to variances (Harrison et al. 1994; Merchant 1981; Ueno et al. 1992). Hypotheses 7, 8, and 9 were tested to identify differences between Libyan and Anglo-American companies operating in the Libyan oil sector in terms of individualism vs. collectivism (Figure 3.4).

H7: *Creation of budget slack is larger in Anglo-American companies than in Libyan companies.*

H8: *Performance rewards are more often based on meeting budgets rather than on a company's actual profit in Anglo-American companies than in Libyan companies.*

H9: *Budget variances will be used more to evaluate performance of managers and employees by Anglo-American companies than by Libyan companies.*

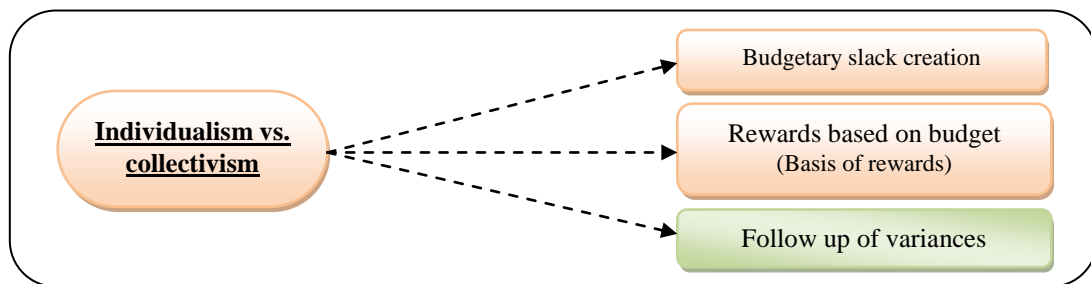


Figure 3:4: part of conceptual model-predicted effect of IC on budgeting processes

Hofstede & Hofstede (2005, p. 117) define masculinity versus femininity (MF) as

Men are supposed to be more concerned with achievements outside the home—hunting and fighting in traditional societies, the same but translated into economic terms in modern societies. Men, in short, are supposed to be assertive, competitive, and tough. Women are supposed to be more concerned with taking care of the home, of the children, and of people in general—to take the tender role.

Masculine cultures have separately defined men's and women's roles. In contrast, in feminine cultures men and women are regarded as equal and quality of life and environment are appreciated more than money.

Feminist societies' members of organisations will be expected to look at quality of life and modesty as important, equally for women and men. In these societies budgets will be considered as important tools to improve performance and contribute to a more efficient

working environment (Bjerke et al. 1993; Chang 2003; Douglas et al. 2005; Harrison et al. 1994; Hofstede 2001; Hofstede et al. 2005; Miroshnik 2002; Yee et al. 2008). In masculine societies, members like challenges and assertiveness. Therefore a budget will be expected to be a control mechanism to cut cost within the context of continuous improvement. Unfavourable variances will lead to prompt and severe action. Related to the fourth dimension of masculinity and femininity, hypotheses 10 and 11 (Figure 3.5) were tested:

H10: *Anglo-American companies take prompter and more decisive action in regards to unfavourable variances than Libyan companies.*

H11: *Anglo-American employees have more positive attitude towards budgets and budgeting process than Libyan employees.*

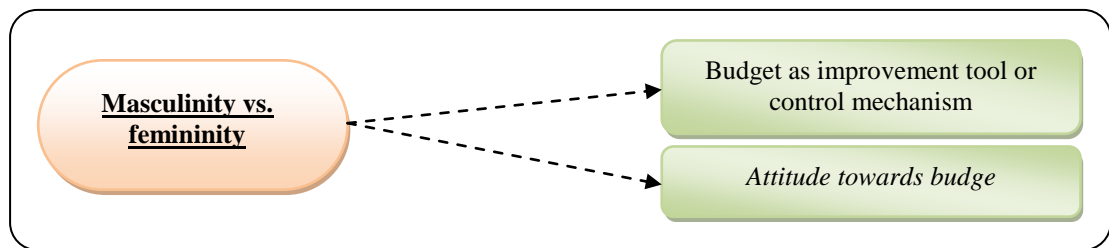


Figure 3:5: part of conceptual model-predicted effect of MF on budgeting processes

Figure 3.6 displays the conceptual model for the study. This explains the impact of each societal cultural dimension on budgets and budgeting processes.

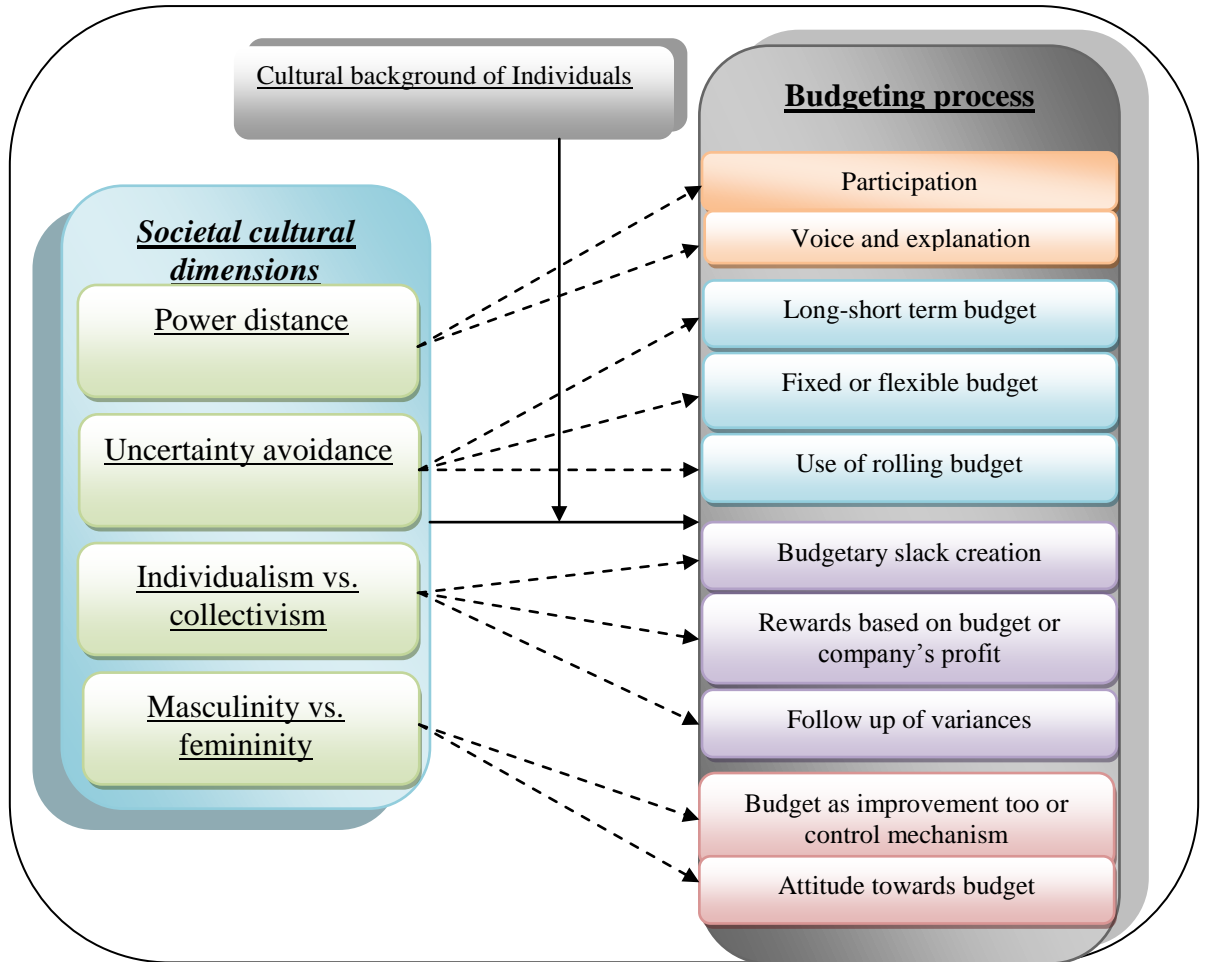


Figure 3:6: Conceptual model

3.1.4 Research Proposition (research issue 2)

To answer the second research issue the following proposition was examined:

Libyan and Anglo-American employees are aware of the potential influence of cultural differences in their management practice when dealing with each other in the budgeting process.

Research Methodology

3.2.1 Strategy of Inquiry

Mixed Method approach and triangulation strategy

Truth is absolute but our understanding of it is relative. In this sense, beliefs about the nature of reality and seeking knowledge and epistemology have different philosophical foundations for different researchers in terms of designing their questions and how they

are answering these questions (Morgan 2007). In the last few decades the dispute between qualitative and quantitative methods purists has become divisive and inharmonious. The accommodation between the two methods was viewed as impossible so much so that they felt the extent to which academics feel that they must pledge allegiance to one discipline of thought or to the other in the world of research or academia. Because of both purists of these two approaches consider their paradigms as the supreme for research “and, implicitly if not explicitly, they advocate the incompatibility thesis” (Creswell 1994; Johnson et al. 2004, p. 14).

Quantitative purists follow a (post)positivist philosophy approach in building their epistemology considering social observations that can be treated as entities in a similar way that physical scientists treat physical observable facts. The proponents of this approach use statistical and mathematical procedures in predicting, controlling, describing, exploring, and explaining social observations (Onwuegbuzie et al. 2005). Quantitative purists also claim that generalization is possible and desirable thus biases and emotions must be eliminated and detached from objects of a study. Objectivity and deductive styles are the major focus of purists, even in their writing styles in describing and establishing social laws, impersonal passive voice must be followed from researchers and technical terminology must be used (Creswell 1994; Johnson et al. 2004; King et al. 2010).

On the other hand, qualitative purists use constructivism and interpretivism approaches in building their epistemology from studying social observations and they reject positivism and the use of traditional scientific method (Onwuegbuzie et al. 2005). Constructivism, humanism, postmodernism, relativism, and hermeneutics have the superiority in research regarding this approach. The purists of a qualitative approach consider the entire differentiation between causes and effects and generalizations are impossible and undesirable because the only source of reality is a subjective knower. Contrary to the purists of quantitative method, the purists of qualitative method are characterized by, writing in detail, inductive style, directly, somewhat informally, and thick description (Creswell 1994; Johnson et al. 2004; Onwuegbuzie et al. 2005).

Despite the fact that both quantitative and qualitative paradigms vary in many ways, they both have merits and shortcomings. Both paradigms however address research questions by using empirical observations and diagnostic techniques to verify data and to find

meaning regarding understanding social phenomena. They have more similarities than differences and are also complementary; thus it is time for both paradigms and mixed approach to coexist (Creswell 1994; Denscombe 2008; Forza 2002; Johnson et al. 2004; Neuman 2006; Onwuegbuzie et al. 2005). In this regard, Creswell (2009, p. 3) argues that both paradigms “should not be viewed as polar opposites or dichotomies; instead they represent different ends on a continuum”. Mixed methods social inquiry juxtaposes or combine quantitative ‘traditional survey’ and qualitative ‘observations and interviews’ paradigms which address questions unanswered by using only one technique or approach in the study (Johnson et al. 2007; Leech et al. 2009). This method engages both deduction and induction, collectively termed ‘abduction’ (Morgan 2007) in the pursuit of knowledge and the discovery of truth. This approach is known as ‘pragmatism’ and follows a philosophical logic in discovering epistemological implications. This considered creative and expansive form of research which leads to a strength of the research comparable to both approaches independently (Creswell 2009; Denscombe 2008; Greene 2008; Johnson et al. 2004; Johnson et al. 2007; Moran-Ellis et al. 2006; Onwuegbuzie et al. 2005).

Mixed method research is an attempt to bridge the separation between both approaches which is considered to be a valuable research strategy, providing richer data and a greater understanding of the research problem (Creswell 2009; Johnson et al. 2004; Johnson et al. 2007; Moran-Ellis et al. 2006; Onwuegbuzie et al. 2005; Thurmond 2001). Neuman (2006, p. 149) states that ‘it is better to look at something from several angles than to look at it in only one way’. It could be argued that mixed method research provides a more holistic perspective and more adequate explanations of the phenomenon under investigation. Mixing quantitative and qualitative methods allows for triangulation of findings (Neuman 2006; Thurmond 2001) which can overcome a number of the validity and reliability problems commonly associated with social research and reduce the potential of bias (Forza 2002; Greene 2006; Johnson et al. 2007; Moran-Ellis et al. 2006; Thurmond 2001).

An important issue with triangulation of findings is how and when the integration between quantitative and qualitative methods occurs. Mixing the two methods could be taking place either simultaneously or sequentially. Priorities of one approach could be emphasized more than the other method (fully mixed versus partially mixed methods) and the timing of mixing the two methods may occur at different stages (Creswell 2009;

Leech et al. 2009). Creswell (2009) divides mixed method studies into six major strategies, based on four factors: mixing, weight, timing, and theorizing. The six strategies are 1) sequential explanatory strategy; 2) sequential exploratory strategy; 3) sequential transformative strategy; 4) concurrent triangulation strategy; 5) concurrent embedded strategy; 6) concurrent transformative strategy.

This study adopted concurrent triangulation strategy, fully mixed concurrent equal status design this involved conducting the research with mixed quantitative and qualitative approach in equal emphasis of both approaches happening in one phase of the study. Integration in this method often takes place during discussion or interpretation (Creswell 2009; Happ 2009). Creswell (2009, p. 213) argues that most researchers are familiar with this mixed method because it well-validated and substantiates findings.

This is a cross-sectional study at one point of time and both quantitative and qualitative approaches were used. Quantitative data (a questionnaire survey) was collected to answer research issue one. Qualitative data (interviews) was also collected to confirm and triangulate findings from analysis of quantitative data and also to answer research issue two. The purpose of using both methods in this study is an attempt to strengthen and offset non-overlapping weaknesses of one method by the strengths of the other method (Creswell 2009; Happ 2009; Onwuegbuzie et al. 2005; Thurmond 2001). Further, as an endeavour for triangulation is for seeking objectivity, enhancing the reliability, avoiding subjectivity, and also expands the understanding of the impact of culture on budgeting process. As a result gain greater confidence to arrive at valid conclusions (Greene 2006; Johnson et al. 2007; Moran-Ellis et al. 2006).

3.2.2 Data Collection

Quantitative Data

Survey Design:

A questionnaire survey is considered as suitable and the most common method for data collection in cross-sectional studies when the sample target is too large in order to make generalizations to the rest of a population (Creswell 2009; Leedy et al. 2005; Zikmund 2000). The questionnaire in this study was designed to solicit information from people who are working in Libya and Anglo-American companies about their budgets and budgeting processes. The information solicited from these questions was used for

comparisons between the two cultures in order to identify differences between both cultures in term of budgets and budgeting processes (participation, voice, explanation, using long or short term budget, using flexible or fixed budget, use of rolling budget, slack of budget, based of rewards, evaluate performance by variances, action towards budget variances, attitude towards budget) and how cultural dimensions affect budgets and budgeting processes.

Table 3.1: Sources of questions

<i>N</i>	<i>Items</i>	<i>To measure</i>	<i>Adapted from</i>
1	1 to 9	Participation	(Harrison et al. 1994; Leach-López et al. 2007; Magner et al. 1995; Maiga et al. 2007; Milani 1975; O'Connor 1995; Tsui 2001; Wentzel 2002; Wu 2005)
2	1 to 5	Voice	Adapted with changes (Klammer 1997; Leach-López et al. 2007; Magner et al. 1995; O'Connor 1995; Tsui 2001; Wu 2005)
3	1 to 5	Explanation	Adapted with changes (Klammer 1997; Leach-López et al. 2007; Magner et al. 1995; O'Connor 1995; Staley et al. 2007; Tsui 2001)
4	1 to 4	Using flexible or fixed budget	New items for this study
5	1 to 6	Creating slack in budget	(Maiga et al. 2007; Onsi 1973; Staley et al. 2007)
6	1 to 5	Bases of rewards	(Magner et al. 1995; O'Connor 1995; Onsi 1973; Wu 2005)
7	1 to 8	Evaluating performance by variances	(Douglas et al. 2007; Harrison et al. 1994; Magner et al. 1995; Merchant 1981; Otley 1978)
8	1 to 8	Action towards budget variances	(Douglas et al. 2007; Dunk 1993; Harrison et al. 1994; Magner et al. 1995; Merchant 1981; O'Connor 1995; Wu 2005)
9	1 to 13	Attitude towards budget	(Collins et al. 1999; Dunk 1993; Harrison et al. 1994; Magner et al. 1995; Wu 2005)
10	1 to 1 to 3	Using of rolling budget	New items for this study
11	1 to 12	Demographic information	From the above authors

Budgets and budgeting process were measured by asking both respondent Libyan and Anglo-American workers to assess their extent of agreement or disagreement with the items in the close-ended questionnaires. Their agreement or disagreement was measured through a 5-point numerical Likert-type scale in order to make it easier for a respondent to answer. In instruments measuring attitudes, beliefs, and opinions a Likert scale is often utilized because of its usefulness (DeVellis 2003). All scales range from 1= strongly disagree to 5= strongly agree. This is the easiest scale to construct and generally chosen by individuals although it is difficult to judge the meanings of a single score (Zikmund 2000). Increasing the response alternatives to more than 5-point scale does not enhance validity or reliability. However, it might decrease the validity of responses if respondents cannot distinguish between subtle alternatives (Clark et al. 1995). The questionnaire was

divided into 11 sections each section measuring one construct (see Table 3.1, and copy of the questionnaire into English and Arabic in Appendix A and B).

Addressing validity and reliability of the instrument becomes axiomatically of paramount importance in researchers' concerns (Clark et al. 1995). The survey started with clear instructions explaining to respondents how to complete the questionnaire thus avoiding ambiguous words and expressions. The questions were put together in a simple way clear, direct, and ambiguity avoided in order to motivate and facilitate the task of respondents to increase response rate (Forza 2002; Leedy et al. 2005; Zikmund 2000). The essential information of the study was included first starting with easiest construct, i.e., participation the items have been used many times in prior studies. Demographic information was included at the end of the questionnaire in order to obtain the essential information first. In order to enhance the response rate and reliability the questionnaire was designed to fit in five pages including the cover page, which is considered to be not too short or too long considering the time for response (DeVellis 2003; Frazer et al. 2000). The address and phone number of the researcher were attached to the questionnaires for any inquires or explanations and many respondents inquired about some items in the questionnaires such as rolling budget (Leedy et al. 2005).

The questionnaire was created in English then was translated into the Arabic language by the researcher first and then was given to professional translation agency to translate it into Arabic as well. Comparison between the researcher's translation and the expert's translation was made to ensure that there was no misinterpretation in the translation of the questionnaire. Another step was taken to ensure that the translation was accurate and the items conveyed the same information to the participants in the Arabic version. Three questionnaires were given to three lecturers at the Academy High Studies in Libya. They are experts in management accounting and also they speak both Arabic and English languages. Comments were discussed with them and minor changes were incorporated in final copy of the Arabic questionnaire.

The questionnaires were conducted in both English and Arabic languages. For Libyan companies most workers speak Arabic thus the Arabic copies were distributed to them. Whereas in Anglo-American companies English copies were given to participants who are native English speakers and both Arabic and English copies were given to workers who speak both English and Arabic but are not non-native English speakers.

Pre-testing of Instruments:

Data collection instruments in this research were pre-tested before data collection commenced. It is suggested that before the distribution of the questionnaires to the chosen sample colleagues, experts who work in industry, and target respondents should see the questionnaire for pre-testing to insure that the questions and the questionnaire obtain its objectives, its items are understandable, and to find valuable feedback (Forza 2002; Frazer et al. 2000; Leedy et al. 2005). This will ensure accuracy of questions content and enhance face-validity (Frazer et al. 2000; Zikmund 2000). Questionnaires were distributed to researchers at the University and experts in research methodologies to solicit their advice and feedback. Advice and feedback from some expertise in the field of culture and budget research were also gathered (Professor Geert Hofstede; Associate Professor Neale O'Connor University of Hong Kong; Professor Nace Magner, Department of Accounting, Western Kentucky University; and Dr Ruud Weijermars, Delft University of Technology), (Table 3.2).

Table 3.2: The types of the expertise for pre-test the questionnaire

<i>Feature</i>	<i>Kind of expertise</i>	<i>To solicit</i>
Researchers and Academics	Academics and PhD researchers at University of Southern Queensland	Feedback, wording, and advices related to questionnaire design
Expertise in culture and budget	<ul style="list-style-type: none"> - Professor Geert Hofstede. - Neale O'Connor, Associate professor at University of Hong Kong. - Nace Magner, Professor at Department of Accounting, Western Kentucky University. - Dr Ruud Weijermars, Delft University of Technology. 	Feedback, wording and contents of the constructs
Potential respondents in oil industry	5 Libyan and 5 Anglo-American potential workers in the Libyan oil sector	The questions are understandable and time is acceptable

The questionnaire was also distributed to one Libyan and one Anglo-American company to ensure that the questionnaire is understandable and to familiarise the researcher with the budget process used in the oil industry and to test questionnaire before final distribution. Then five questionnaires were distributed to Libyan companies and five to Anglo-American companies. Questionnaires were collected from respondents and few comments were obtained and were considered in the final distribution to the questionnaire (Table 3.2). This was to enhance validity of the instruments by ensuring that these measures measure what the researcher is intending to measure (Keats 2000; Leedy et al. 2005).

Population and Sample Frame:

The target population for this study is Libyan and Anglo-American (USA, Canada, UK, and Australia) companies operating in the Libyan oil sector. Names and contact details of these companies were obtained from National Oil Cooperation Libyan (NOCL). NOCL provided the researcher with its endorsement to conduct the research and a letter of support was received to each local and Anglo-American company working in the Libyan oil sector. All Libyan and Anglo-American companies operating in the Libyan oil sector were included expect two Libyan companies and two Anglo-American companies which declined to participate.

The targeted respondents included accountants in budget sections and managers of finance departments. Non-accountants were also surveyed including managers from production, sales, purchasing, human resources, training, drill and workover (operation), personnel, exploration and marketing.

Five-hundred survey questionnaires were sent to both Libyan (320) and Anglo-American (180) managers and employees at different levels to solicit information from participants who have direct experience in the budgeting process. Two hundred and fifty surveys were returned with 228 useable. This is about 71% from Libyan companies. One hundred and twenty two questionnaires were returned with 115 usable which is about 63% from Anglo-American companies (Table 3.3).

Table 3.3: Questionnaires distributed and received

<i>Questionnaires</i>	<i>Libyan</i>	<i>Percentage</i>	<i>Anglo-American</i>	<i>Percentage</i>	<i>Total</i>	<i>Percentage</i>
Distributed	320	100 %	180	100 %	500	100 %
Received	250	78.1 %	122	67.8 %	372	74.4 %
Usable	228	71.2 %	115	63.9 %	343	68.6 %

The number of questionnaires distributed to Libyan companies was higher than Anglo-American companies because of the higher number of workers in Libyan companies. Anglo-American companies have lower numbers of workers because they started working in the Libyan oil sector about 5 years ago. The larger the samples are the larger the researcher obtains robust results from statistical analysis (Leedy et al. 2005). The process of conducting the survey took around five months from March to July 2009. (It was difficult to get responses from Anglo-American companies and some Libyan companies).

Qualitative Data

Interviews Design:

Interviews are considered to be a valuable tool to explore in some depth respondents' experiences which support responses in questionnaires (Drever 1995; Keats 2000). These interviews were conducted in order to gain a deeper understanding of the quantitative data gathered (Wendy 2002). Semi-structured interviews lie between unstructured interviews and structured interviews. They can provide rich factual information to help in understanding the research problem especially when questions relate to human's behaviours, attitudes, thinking, and feelings; they can also help probe clarification and insight of people's world (Drever 1995; Hove et al. 2005; Leedy et al. 2005). Despite the fact that semi-structured interviews are costly to administer and time consuming they yield high quality of data collected (Hove et al. 2005). The questions used were a mixture between open and closed-ended questions. Open-ended questions are commonly used and they are valuable and beneficial for interviewers to gain more unanticipated information about the research problem (Drever 1995; Zikmund 2000). The necessary efforts were taken to ensure that the interaction between both interviewer and interviewees took place (Hove et al. 2005). Semi-structured interviews were audio-taped to help the process of transcription and also give freedom to both interviewees and interviewer to ask and answer in a friendly way that the researcher ensure that respondents were feeling comfortable instead of engaging in writing while the interviewee was talking (Hove et al. 2005; Keats 2000). Questions were formatted to avoid bias by avoiding leading questions. Also these questions were asked in different ways to ensure the questions are understandable to avoid ambiguity (Drever 1995; Keats 2000). Interviewees were self-selected by indicating their interest in being interviewed, as part of the survey process. Managers (from CEO to heads of departments including accountants in accounting and budget sections) were interviewed. In this study face-to-face interviews were conducted with managers, deputy managers, and managers of departments of finance, marketing, production, purchasing, and human resources as well as with accountants who are more involved in budget preparation and usually are members of budget committees. Thirty one interviews were conducted: 21 from Libyan, 10 from Anglo-American companies.

Creating a good rapport by breaking the ice with respondents helped the researcher to ask the questions in a way that the respondents felt confident and they spoke frankly giving

information needed (Drever 1995; Keats 2000). Questions were asked in the way to avoid anxiety in order to elicit proper and direct answers. In relation to confidentiality the researcher promised and ensured anonymity and confidentiality of their names. Information will be used just for the research project and will remain between the interviewee and interviewer (Drever 1995; Keats 2000; Kvale et al. 2009). Hove and Anda (2005) argue that the quality of data collected by semi-structured interviews depends on how the researcher conducted the interviews. The place and time of an interview was chosen by the interviewee to make him comfortable and ensure they had enough time (Leedy et al. 2005). Time of interviews ranged between 30 to 45 minutes. The consent forms were given to interviewees at the beginning (Appendix C) and obtained their consent to participate asking for their orally consent to audio-taped the interview as well. All interviews were conducted by the researcher in order to obtain consistency in asking questions, gain similar information, and enhance reliability of interviews (Keats 2000).

Interviews were conducted in the English language with workers who speak English and in Arabic language with workers who speak Arabic. The researcher considered the cultural differences when translating questions for interviews (Keats 2000).

Data Analysis

3.3.1 Quantitative Data Analysis

Quantitative data gathered by questionnaire was checked for missing data, outliers and extreme values and normality. Internal consistency (Cronbach's alpha) was calculated in order to assess the scales quality (reliability) of all constructs and measures (DeVellis 2003; Hair et al. 2006). The primary purpose of factor analysis is to reduce and summarise data before the process of analysis (Joseph et al. 1987). It used here to decrease the number of variables to a lesser number of factors to decide which clusters of items comprise unidirectional sets for analysis purposes.

Factor analysis is a statistical technique widely used in social sciences research in order to reduce the number of items in an effort to enhance and detect hidden structures and to enhance interpretability in the data (Hair et al. 2006; Treiblmaier et al. 2010). Tabachnick and Fidell (2007) consider the appropriate sample size for conducting factor analysis is

300 cases but more than 150 cases should be sufficient. Most researchers use principal components analysis and many researchers consider common factor analysis the appropriate procedure although choosing the appropriate method is not obvious (Velicer et al. 1990). Field (2009, p. 638) argues that “to non-statisticians the difference between a principle component and a factor may be difficult to conceptualize”. Hair et al. (2006) also argue that common factor analysis and component analysis arrive at similar results in most empirical research. This is true for many situations and they are very similar (Gorsuch 1990; McArdle 1990). Principal components analysis is largely preferred for data reduction (DeVellis 2003; Hair et al. 2006). However, principal components analysis (PCA) is an appropriate technique when the purpose is empirical summary of a data set; in other words a researcher wants to reduce the number of items to fewer or a more manageable size of factors that represents the construct with fewer variables. By contrast, common factor analysis’ primary objective is to discover constructs represented in the original variables (Hair et al. 2006; Tabachnick et al. 2007). It “differentiate[s] between variance attributable to common factors and variance caused by unique factors” (Treiblmaier et al. 2010, p. 199).

Conway and Huffcutt (as cited in Treiblmaier et al. 2010, p. 199) state that “if a researcher’s purpose is to understand the latent structure of a set of variables (which will usually be the case), then the use of a common factor model such as principal axis or maximum likelihood factoring represent a high-quality decision”. Gorsuch (1990) and McArdle (1990) also argue that common factor analysis is robust and will be more reliable and accurate and because it recognizes there are errors in variables, it should be applied. Common factor analysis takes the shared variability. The focus of the analysis used in this study is to identify the underlying factor structure of a set of variables or latent constructs.

The criteria adopted for this study as related to the parameters of conducting, selecting and resolving the factor analysis were derived from various published references. The criteria are summarised in Table 3.4.

Table 3.4: Criteria used for factor analysis

Cronbach's Alpha	> .7
KMO	Greater than 0.7
Bartlett's test	Value of Sig. should be less than .05
% total variance explained	50% overlapping variance
Standardised Regression Weights	Above .65
The percentage of no-redundant residuals	Less than 50%
Eigenvalue	Greater than 1

Sources: (Field 2009; Hair et al. 2006; Tabachnick et al. 2007)

These include the KMO statistic measure of sampling adequacy with values between 0.7 and 0.8 being good, values between 0.8 and .09 great, and values above 0.9 as superb (Field 2009). Bartlett's test of sphericity tests correlations within a correlation matrix (Hair et al. 2006) and should be significant ($p < .05$) which identifies that there are relationships between variables and thus factor analysis is appropriate (Field 2009). The percentage of no-redundant residuals with absolute values > 0.05 should be less than 50%, the smaller the better. Loadings in excess .63 with overlapping variance (40%) are very good. Loadings in excess of 0.71 and 50% overlapping variance are excellent while loadings of 0.55 and 30% are good (Hair et al. 2006). Reliability is tested by using Cronbach's Alpha and most researchers use 0.7 which is considered good. In some cases Cronbach's Alpha 0.6 and 0.5 are considered sufficient (Kerlinger et al. 2000).

With the large number of data and the purpose of determining the differences or the relations between variables it becomes indispensable using the powerful tool of statistical techniques to summarise the data and to interpret interrelationships and significant underlying variables in a particular set of data (David 2002; Leedy et al. 2005). These statistic tools provide researchers with trends, patterns, and meanings of data using indicators instead of using the whole set of data which enable researchers to inference results from entire set of data. In this direction, the problem is which appropriate technique should be used for each certain research question. The statistical tools that are appropriate for this research question might not be appropriate for other research questions and vice versa (David 2002).

T-test is used to test hypotheses because each hypothesis involves testing differences in one construct between two groups (Anglo-American and Libyan companies) to determine if significant differences exist between the two groups according to cultural dimensions.

In this study the main purpose is to identify the differences between Libyan and Anglo-American companies regarding budgets and budgeting process. To test the hypothesis to determine the differences between two populations is not problematic because t-test is appropriate technique that often used by research when they comparing between two populations (Pavkov et al. 2000; StatSoft 2010). T-test is a very versatile parametric statistic test and it is more powerful when the assumption of normality is met. One of the uses of t-test is that to test whether there is difference between two groups' means (Field 2009).

In the same context, Ueno and Sekaran (1992) used T-test to test their six hypotheses which postulate that differences exist between US companies and Japanese companies in terms of their budgeting process. Harrison et al. (1994) used also t-test in a similar way to compare USA and Australia (Anglo-American) to Singapore and Hong Kong (Eastern) organizations in terms of their decentralization, responsibility in the organization, planning control, long-term planning and emphasis on individual centred decision-making. O'Connor (1995) also used a t-test in his evaluation of the impact of culture on the importance of budget participation by Singaporean-Chinese managers.

In this study T-test is used to test the hypothesis in order to see if there are any differences between the two cultures in terms of their budgets and budgeting process. One T-test was conducted for each of the following hypotheses; participation, voice, explanation, slack in budget, bases of rewards, evaluating performance based on budget variances, and actions towards budget variances.

ANOVA is an important and useful test which has been widely used by much published research (Fidler et al. 2001; Mickey et al. 2004; O'Brien 1979; Vallejo et al. 2006). ANOVA is an extension of t-test, univariate statistical technique, used for analysis of variances to examine whether statistical significance of differences exist between means from three or more groups with one dependent variable (David 2002; Leedy et al. 2005). Conducting multiple separate t-tests for the groups generally increases the type I error rate which can be overcome by using ANOVA (Hair et al. 2006).

The assumptions underlying ANOVA are: variances are equal for groups, *homogeneity of variances*, variables are normally distributed, and the groups are independent in their responses on the variable the assumptions should be met. If this is the case, then test is robust in most cases (Christensen 1996; Hair et al. 2006, p. 408; Mickey et al. 2004).

Equal variances are fairly robust when sample sizes are equal (Weerahandi 1995). However, when the sample sizes are unequal, the assumption of homogeneity can be violated because large groups have larger variances and this is not vital for ANOVA. Unequal sample sizes are often outcomes of the nature of the population especially in non-experimental work and equalizing samples by deleting some of the responses will distort the differences and therefore lose generalizability (Tabachnick et al. 2007). In ANOVA unequal sample sizes are a relatively minor issue (Tabachnick et al. 2007). When the Levene's test of homogeneity is significant (less than 0.05) in a large sample, the alternative table to look at is robust test of equality of means. In this case the alternative test to look at is Brown-Forsythe F and Welch's F tests because they use the weight of group variances, not sample size, to get around the problem of unequal variances among different samples (Field 2009). The Welch and Brown-Forsythe F tests are used to discern the significance between means when the variances are not equal ("the assumption of homogeneity of variance has been violated") where data are reasonably normally distributed (Field 2009, p. 782; Gomez et al. 1994; Huizingh 2007; Roth 1983; Vallejo et al. 2006; Weerahandi 1995; Xu et al. 2008; Zhou et al. 1999). The alternative test is; Tamhane's T2, Dunnett's T3, Games-Howell and Dunnett's C, when Levene's test significant (Huizingh 2007).

The post hoc Tukey test is used when variances are equal and it is "often referred to as the honestly significant difference" (Toothaker 1993, p. 89). However, if the group sizes are not equal Tukey test is not appropriate (Field 2009). When variances are unequal and the sample sizes are more than 20 Scheffe test is used as it "is the safest of all possible post hoc tests" because the assumption of equal variances are not applicable in many cases and it is safe in terms of type I errors (Field 2009; Gravetter et al. 2005; Huizingh 2007; Milliken et al. 2009; Weerahandi 1995, p. 357). From post hoc if there is a very different sample size Hochberg's GT2 is used and if the homogeneity of variances is unequal Games-Howell is checked for the results (Field 2009). Games-Howell test is the most powerful and is used when the variances between groups are unequal, because it is a more

conservative test in post hoc and it is also sensitive to unequal variances and unequal sample size (Field 2009; Klahr et al. 2004).

Comparisons were also conducted using ANOVA to the hypotheses to compare between:

- a) Libyans in Libyan companies and Anglo-Americans in Anglo-American companies excluding Libyans who are working in Anglo-American companies.
- b) Libyans in Libyan companies and Libyans in Anglo-American companies excluding Anglo-Americans.
- c) Libyans and Anglo-Americans who are working in Anglo-American companies.

Comparison between workers according to their educational level and positions were conducted using ANOVA test as well exploring the affect of education level and position of each aspect of budgets and budgeting processes.

3.3.2 Qualitative Data Analysis

The researcher conducted all the interviews to elicit similar information and enhance the accuracy by ensuring that questions were asked in similar manner. Qualitative data gathered from interviews were audio-taped and transcribed verbatim then it was recorded in notes, categorized, and then tabulated. Each question from participants was gathered in one section and again categorised and summarized. The information was collected to enrich the empirical analysis.

Ethical consideration

Researchers should consider and protect participants involved in their studies from any harm or adverse consequences associated with surveying them in terms of any ethical issues while conducting the research (Creswell 2009). These procedures protect the integrity of both the participants and researchers. In this regard the University of Southern Queensland (USQ) policies and regulations require students to apply for ethical clearance prior to starting their survey prior to conducting research involving humans or animals. Since this study is dependent on the participation of employees and their companies, ethical clearance from USQ was obtained prior to conducting the survey. Ethical clearance for the research was granted by the USQ Human Research Ethics Committee for conducting the proposed research from 09 February 2009 to 09 February 2010 (Reference number HO9REA012). The researcher followed guidelines in order to ensure

that the survey did not jeopardise in any way, participants in terms of their integrity, indignity or privacy. Survey participation was voluntary and the anonymity of identity and confidentiality of participants were assured. No concerns or queries in this regard were received during the project.

Chapter 4 : Quantitative analysis

Chapter 3 described the research design and methodology for this study. This chapter presents the quantitative analysis of data that was gathered using the research instrument in order to address research issue one. The hypotheses of the study were tested in relation to the research problem so as to identify how and to what extent societal culture dimensions affect the budgeting process. They further explore how each societal cultural dimension affects each aspect of budgets and budgeting processes.

Response rate, cleaning and screening data

4.1.1 Response rate

Five hundred survey questionnaires were sent to both Libyan (320) and Anglo-American (180) workers at different organization levels to solicit information from participants who have direct experience in the budgeting process. A total of 372 questionnaires (74%) were received from Libyan and Anglo-American respondents of which 343 questionnaires (68%) were determined suitable for inclusion in the data set. A total of 29 questionnaires were determined to be unsuitable for analysis due to being incomplete (greater than 10% missing data per case) or inconsistent in response. These were excluded from the data set. Responses from Libyan companies amounted to 250 surveys returned with 228 questionnaires retained (71%). Responses from Anglo-American companies amounted to 122 completed questionnaires. A total of 115 questionnaires were retained (63%) with seven omitted (Table 4.1).

Table 4.1: Questionnaires distributed received and used

<i>Questionnaires</i>	<i>Libyan</i>	<i>Percentage</i>	<i>Anglo-American</i>	<i>Percentage</i>	<i>Total</i>	<i>Percentage</i>
Distributed	320	100 %	180	100 %	500	100 %
Received	250	78.1 %	122	67.8 %	372	74.4 %
Usable	228	71.2 %	115	63.9 %	343	68.6 %

Screening and cleaning of the data is imperative so that the data set is clean and prepared for analysis, ensuring its appropriateness for testing of the hypotheses (Christensen 1996; Hair et al. 2006). The essential preliminary step for data analysis is data examination that

includes detecting imputation errors and missing data then identifying outliers which affect results' generalizability (Hair et al. 2006).

Data was checked by running frequencies of each variable in terms of minimum and maximum values in order to ensure accurate imputation. Fifteen cases were founded, checked with the original questionnaires and corrected for input errors. Next, data was checked for missing data and inconsistent responses, normality, and extreme values.

4.1.2 Missing data

Missing data is likely to be out of the researcher's control. However it should be addressed because of its effects on data analysis and generalizability (Hair et al. 2006). As mentioned previously 29 cases were omitted from the data set because they were largely incomplete thereby reducing the negative statistical effect due to missing data. The criteria applied to determine the omission of cases due to missing data was that more than 10% of the cases contained missing values (Hair et al. 2006). Cases containing less than 10% missing data were considered and replacement of missing data was undertaken using mean scores (Mickey et al. 2004).

4.1.3 Normality

Normality of data is an assumption that is required for many statistical tests (Park 2008). Checking for normality is important especially in terms of small samples because of the significant role played by sample sizes in terms of statistical power (Gravetter et al. 2005; Hair et al. 2006; Stout et al. 2000; Tabachnick et al. 2007). Transformations of data are not universally recommended with a large sample size because they make interpretations of variables difficult (Tabachnick et al. 2007). If a sample size is larger than 30 it is assumed that the population sample mean is approximately normally distributed according to the Central Limit Theorem "regardless of the shape of the original population" (Field 2009; Hair et al. 2006; Stout et al. 2000, p. 623; Tabachnick et al. 2007; Wilcox 1969). Despite the Central Limit Theory's assumption, data was tested for normality and outliers.

This study's sample size is regarded as 'large' with 343 responses (Hair et al. 2006). Approaches to exploring the assumption of normality vary greatly. Checking the normality of a distribution in terms of its shape as depicted graphically is adequate as

formal inference testing becomes less reliable due to a large sample leading to a decline in the degrees of kurtosis and skewness (Tabachnick et al. 2007). In large samples checking normality visually includes considering graphical box-plots, stem and leaf plots, histograms and looking at skewness and kurtosis values rather than statistical tests such as the “Shapiro-Wilks and Kolmogorov-Smirnov tests” (Hair et al. 2006, p. 82). It is regarded as not appropriate to test normality using these statistical tests when dealing with a large sample “to assess the actual degree of departure from normality” because they give significant results for small deviations from normality (Field 2009; Hair et al. 2006; Tabachnick et al. 2007). Thus normality was checked using, histograms, P-P and Q-Q plots, box-plots and values of kurtosis and skewness. It was concluded that the data was normally distributed to an acceptable degree (Field 2009).

4.1.4 Extreme values

Extreme values have major effects on type I and type II errors and also distort statistical analysis (Tabachnick et al. 2007). Therefore checks for outliers were also undertaken leading to 13 cases being deleted leaving 330 cases for analysis.

Respondents profiles

The demographic characteristics of respondents include respondents’ gender, nationality, age, nationality of the company, level of English skills, main operation of the company, education level, experience in the organization, position, experience in position, experience in oil industry overseas, and religion.

The unit of analysis was a worker in a Libyan or Anglo-American company operating in the Libyan oil sector. The sample consisted of 343 respondents, 228 (66.5%) from Libyan companies and 115 respondents (33.5%) from Anglo-American companies. In terms of the number of employees Libyan companies were larger than Anglo-American companies as they have been operating longer.

The sample was random and did not deliberately target gender. However, the sample included 330 male participants (91.8%) and 27 females (8.2%). In the Libyan employees’ sample, males and females accounted for 92.6% and 7.4% respectively, while in the Anglo-American employees’ sample, males and females accounted for 90.4% and 9.6%

respectively (Table 4.2). The participants' nationalities were Libyan (80.0%); American (5.5%); Canadian (5.5%); British (3.3%); and Australian (5.5%). One hundred percent of the participants from Libyan companies were Libyans while in Anglo-American companies Libyans accounted for 43.5% while Anglo-Americans accounted for 56.7% (Table 4.2). The frequencies reflect the distribution found in companies operating in Libyan oil industry.

Table 4.2: Frequencies of respondents' gender and nationality

		All companies		Libyan companies		Anglo-American companies	
		Freq.	%	Freq.	%	Freq.	%
Gender	Male	303	91.8%	199	92.6%	104	90.4%
	Female	27	8.2%	16	7.4%	11	9.6%
	Total	330	100%	215	100%	115	100%
Nationality	Libyan	265	80.0%	215	100.0%	50	43.4%
	American	18	5.5%	00	0.0	18	15.7%
	Canadian	18	5.5%	00	0.0	18	15.7%
	English	11	3.3%	00	0.0	11	9.6%
	Australian	18	5.5%	00	0.0	18	15.7%
	Total	330	100%	215	100%	115	100%

The majority of participants' ages were between 41-50 (37.3%). In Libyan companies 40.0% of participants were between 41-50 years old while in Anglo-American companies 33.9% were between 31-40 years of age. The predominant age for the entire sample was older than 31 years (90.4%), (Table 4.3). Libyan companies' employees are, on average, older.

Table 4.3: Frequencies of respondents' age

		All companies		Libyan companies		Anglo-American companies	
		Freq.	%	Freq.	%	Freq.	%
Age	< 20	9	2.7%	6	2.8%	3	2.6%
	21— 30	23	7.0%	16	7.4%	7	6.1%
	31— 40	89	27.0%	50	23.3%	39	33.9%
	41— 50	123	37.3%	86	40.0%	37	32.2%
	> 50	86	26.1%	57	26.5%	29	25.2%

Most participants (62.4%) were working in exploration and production. This figure was higher in Anglo-American companies (73.0%) because most Anglo-American companies work in exploration and production as well as services (26.1%) while none worked in marketing or refining. Libyan employees mostly worked in exploration and production sectors (56.7%) and to a lesser extent in refining and marketing sectors of the industry (30.7%) (Table 4.4).

Table 4.4: Frequencies of participants working in oil industry by sector

	Sector	All companies		Libyan companies		Anglo-American companies	
Oil Industry	Exploration & production	206	62.4%	122	56.7%	84	73.0%
	Refinery	54	16.4%	53	24.7%	1	0.9%
	Marketing	13	3.9%	13	6.0%	0	0.0%
	Services and others	57	17.3%	27	12.6%	30	26.1%
	Total	330	100%	221	100%	115	100%

Educational levels of respondents, ranged from most participants holding bachelor degrees (57.6%) followed by 28.5% holding postgraduate degrees. In Libyan companies, participants holding bachelor degrees accounted for 59.5% and those with postgraduate accounted for 25.6%. In Anglo-American companies, 33.9% of participants had postgraduate degrees and 53.9% had bachelor's degrees (Table 4.5). This study splits education into two groups, high level for bachelor and above and low level for below bachelor level.

Table 4.5: Level of education

	Level	All companies		Libyan companies		Anglo-American companies	
Level of Education	Primary. S	5	1.5%	2	0.9%	3	2.6%
	High. S	6	1.8%	5	2.3%	1	0.9%
	Diploma.	35	10.6%	25	11.6%	10	8.7%
	Bachelor	190	57.6%	128	59.5%	62	53.9%
	Postgraduate	94	28.5%	55	25.6%	39	33.9%

In terms of the experience of participants 34.5% have worked in their organizations for more than 20 years whereas 29.1% have worked in their organizations for less than 5 years. Approximately 47.9% of respondents from Libyan companies have more than 20 years experience in the oil sector and 16.3% have between 16 to 20 years experience. This primarily is because Libyan companies operated even while the UN embargo was imposed on Libya. In contrast, 61.7% of participants working in Anglo-American companies have worked in their organization for less than five years. This is due to Anglo-American companies, only commencing operations in Libya after the lifting of sanctions in 2003. Approximately 10% have experience of more than 20 years because they have worked in their headquarters (Table 4.6).

Table 4.6: Experience in current organization

	Years	All companies		Libyan companies		Anglo-American companies	
Experience in this company	1 — 5	96	29.1 %	25	11.6%	71	61.7%
	6 — 10	42	12.7%	25	11.6%	17	14.8%
	11 — 15	37	11.2%	27	12.6%	10	8.7%
	16 — 20	41	12.4%	35	16.3%	6	5.2%
	> 20	115	34.5%	103	47.9%	11	9.6%

In terms of positions of participants, the sample purposefully targeted managers and accountants who are involved in budgeting processes. Accountants and heads of budgeting sections accounted for 45.1% of the sample classified as lower level management. Middle managers accounted for 31.8%, senior managers accounted for 19.1% and CEO /Directors accounted for 3.9%. Most participants were accountants and heads of budget sections (51.5%) and middle managers (31.6%) in Libyan companies while in Anglo-American companies most participants were middle managers (32.2%) and accountants and heads of budget sections (29.6%) (Table 4.7).

Table 4.7: Positions of participants

	Role	All companies		Libyan companies		Anglo-American companies	
Position	CEO/Directors	13	3.9%	1	0.5%	12	10.4%
	Senior managers	63	19.1%	31	14.4%	32	27.8%
	Middle managers	105	31.8%	68	31.6%	37	32.2%
	Accountants and heads of budget sections	149	45.1%	115	51.5%	34	29.6%

In terms of the experience of participants in their positions, the majority have been working in their current positions for less than five years and accounted for 60.3% of the entire sample. In Libyan companies 73.9% of employees have experience in their current positions for less than ten years while in Anglo-American companies 88.7% have experience in their positions for less than ten years (Table 4.8).

Table 4.8: Participants' experiences in their current positions

	Years	All companies		Libyan companies		Anglo-American companies	
Experience in position	1 — 5	199	60.3%	108	50.2%	91	79.1%
	6 — 10	62	18.8%	51	23.7%	11	9.6%
	11 — 15	21	6.4%	18	8.4%	3	2.6%
	16 — 20	27	8.2%	19	8.8%	8	7.0%
	> 20	21	6.4%	19	8.8%	2	1.7%

The majority (75.8%) of respondents have no experience in the oil industry overseas with 13.9% of participants have had experience in foreign countries of more than five years.

Most participants from Libyan companies (96.3%) have no experience overseas. By contrast, about 62.6% of participants from Anglo-American companies have experience in the oil industry overseas with around 37.4% having had no experience. The latter were mostly Libyans employed in Anglo-American companies (Table 4.9).

Table 4.9: Experience overseas in oil sector

	Years	All companies		Libyan companies		Anglo-American companies	
Industry experience overseas	No experience	250	75.8	207	96.3%	43	37.4%
	< 1	5	1.5%	1	0.5%	4	3.5%
	1—2	6	1.8%	2	0.9%	4	3.5%
	2—3	5	1.5%	1	0.5%	4	3.5%
	3—4	6	1.8%	0	0.0%	6	5.2%
	4—5	12	3.6%	0	0.0%	12	10.4%
	> 5	46	13.9%	4	1.9%	42	36.5%

In regards to the English skills of participants, 67% of respondents from Anglo-American companies are fluent in English and 29.6% considered themselves as having a ‘good’ level of English proficiency. In Libyan companies 53.5% of participants regarded their English proficiency as ‘good’ and 23.7% as average (Table 4.10).

Table 4.10: English skills of participants

	Perceived level	All companies		Libyan companies		Anglo-American companies	
English skills	none	4	1.2%	3	1.4%	1	0.9%
	Poor	6	1.8%	5	2.3%	1	0.9%
	Average	53	16.1%	51	23.7%	2	1.7%
	Good	149	45.2%	115	53.5%	34	29.6%
	Fluent	118	35.8%	41	19.1%	77	67.0%

In terms of religion, all the Libyan participants are Muslims. This is assumed to be because Libya is an Islamic country with deeply entrenched religious rituals and norms. Approximately 52.2% of Anglo-American companies’ participants are Muslims with 36.5% of participants indicating that they were Christians (Table 4.11).

Table 4.11: Religion of participants

Religion		All companies		Libyan companies		Anglo-American companies	
Religion	Muslim	275	83.3	215	100.0%	60	52.2%
	Christian	42	12.7	00	0.0%	42	36.5%
	Other	13	3.9	00	0.0%	13	11.3%

Factor analysis and reliability

Common factor analysis is used to refine and identify factors to be used in testing the hypotheses. A common factor analysis was conducted based on an a priori assumption that items would describe the same latent construct. The method of extraction used was principal axis factor analysis with Varimax rotation (See chapter 3 for justification). The study contains the following measurement scales: participation, voice, and explanation, using flexible or fixed budgets, slack in budgets, bases of rewards, evaluating performance by variances, action towards budget variances, attitude towards budgets, and the use of rolling budgets.

4.3.1 Participation

The study selected nine (9) items to determine the extent of employee participation in the budgeting process (refer Section 3.5). The factor analysis confirmed that the underlying latent construct converged as assumed after the deletion of three items (Partic1, Partic8 and Partic9) due to low factor loadings (less than .65) (Table 4.12).

Table 4.12: Factor analysis-Participation

Reliability- Cronbach's Alpha	.883	% Variance Explained	56.026%
KMO	.895	Bartlett's test	.000
Items			Standardised Regression Weights
I am involved in setting all portions of the budget for my unit. (Partic1)			Deleted
My contribution to the budget is very important.			.683
My budget is finalized only when I am satisfied with it.			.709
My supervisors seek my opinions and/or suggestions when the budget is being formulated.			.786
I frequently initiate budget-related discussions with my superior.			.742
The revised budget includes changes I have suggested.			.794
My input to budget formulation influences my superiors in their final decisions on the budget.			.771
I prepare my budget according to top management's instructions. (Partic8)			Deleted
I have formal meetings with people from other units when budget is being prepared. (Partic9)			Deleted

From the analysis the sampling adequacy exceeds the criterion set (KMO=0.895). The percentage variance explained by the latent factor is 56.026%. This is regarded as a good indication that the items that loaded explain the underlying factor well. It was thus concluded that six items adequately described the latent factor Participation and had very good scale reliability (Cronbach's Alpha= 0.883).

4.3.2 Voice

The study selected five (5) items to determine the extent to which workers had a voice or say in the budgeting process. The factor analysis confirmed that the underlying latent factor converged as assumed after the deletion of one item (Voice5) due to low factor loading of 0.589 (less than .6) (Table 4.13).

Table 4.13: Factor analysis-Voice

Reliability- Cronbach's Alpha	.821	% Variance Explained	54.309%
KMO	.803	Bartlett's test	.000
Items			Standardised Regression Weights
My superior's behaviour tells me that he/she listens to what I have to say about the budget.			.784
My company has procedures available that allow me to make suggestions for improvement to the budget process.			.773
I have constructive discussions related to the budget process with my superior and co-workers.			.747
I usually state my requests, opinions, and/or suggestions about the budget to my superior without being asked.			.634
I offer suggestions for the improvement of budget systems. (Voice5)			Deleted

Sampling adequacy exceeds the criterion of 0.7 (KMO=0.803). The percentage variance explained by the latent factor is 54.309%. This is regarded as a good indication that the loaded items explain the underlying factor well. It was thus concluded that four items adequately described the latent factor voice, and scale reliability was also very good (Cronbach's Alpha=0.821).

4.3.3 Explanation

The study selected five (5) items to determine the extent to which workers receive an explanation about changes related to the budget process. The factor analysis confirmed that the underlying factor converged as assumed without any deletion of items (Table 4.14).

Table 4.14: Factor analysis-Explanation

Reliability- Cronbach's Alpha	.845	% Variance Explained	52.974%
KMO	.806	Bartlett's test	.000
Items			Standardised Regression Weights
The reasoning provided by my superior when budget revisions are made is very sound and logical.			.784
My superior provides me with an explanation for changes in the budget.			.750
I receive written or/and oral reports explaining why the budget does not reflect my suggestions.			.724
My superior provides me with timely feedback about decisions on my budget and their implications.			.700
My superior keeps me fully and frankly informed about anything related to my budget.			.677

Sampling adequacy is considered to be very good ($KMO=0.845$). The percentage variance explained by the latent factor is 52% which is regarded as a good indication that the items explain the underlying factor well. Thus all five items adequately described the factor explanation with very good scale reliability (Cronbach's Alpha= 0.845).

4.3.4 Long-short term budgets

This factor was not tested quantitatively but qualitatively.

4.3.5 Flexible budgets

Five (5) items were adopted to determine the extent of using the flexible budget. The factor analysis does not confirm that the underlying latent factor converged as assumed even after the deletion of some items due to their low factor loadings. Therefore these items do not represent the factor. This may be due to a misunderstanding caused by a lack of use of the flexible budget construct. From the interviews conducted in Libyan and Anglo-American companies employees indicated that they do not use flexible budgets. Therefore this factor was not analysed further.

4.3.6 Slack in budget

The study selected six (6) items to determine the extent to which workers create slack in their budgets. Factor analysis confirmed that the underlying latent factor converges as assumed after deletion of three items (Slack1, Slack2 and Slack6) due to low factor loadings (less than 0.4) (Table 4.15).

Table 4.15: Factor analysis-Budget slack

Reliability- Cronbach's Alpha	.689	% Variance Explained	44.581%
KMO	.636	Bartlett's test	.000
Items			Standardised Regression Weights
In good business times, budget committee decision makers accept a reasonable level of slack in a unit's budget. (Slack1)			Deleted
Slack in the budget is good because it lets you do things that cannot be officially approved.			.669
My unit runs more effectively when it has slack in its budget.			.802
To protect himself, a manager submits a budget that can safely be attained. (Slack4)			deleted
With some skill, a manager can use slack to improve his unit's performance.			.496
Top management has a way to know if there is slack in a unit's budget. (Slack6)			deleted

Sampling adequacy was considered acceptable ($KMO=0.689$). The percentage variance explained by the latent factor is 44.581%. This is also acceptable to explain the

underlying factor. Item 5 loaded at 0.496 which is considered minimally acceptable according to Hair et al. (2006, p. 129) and fair according to Tabachnick and Fidell (2007, p. 649). Three items are regarded as acceptable indicators to adequately describe the latent factor slack in budgets and has acceptable scale reliability (Cronbach's Alpha=0.689).

4.3.7 Bases of rewards

Five (5) items were selected to determine the extent of employee rewards as bases for achieving budget goals. The factor analysis confirmed that the underlying latent factor converged as assumed after deletion of one item (Reward1) due to low factor loadings (less than 0.65) (Table 4.16).

Table 4.16: Factor analysis-Bases of rewards

Reliability- Cronbach's Alpha	.718	% Variance Explained	70.722%
KMO	.849	Bartlett's test	.000
Items			Standardised Regression Weights
My reward reflects my contribution to the company. (Rewards1)			deleted
The standards used to evaluate my performance are based on achieving my budget.			.873
My promotion prospects are closely related to how my actual performance compares with expected performance (achieving budget goals).			.792
My pay prospects are closely related to how my actual performance compares with expected performance (achieving budget goals).			.829
Monetary incentives in my company are primarily tied to attaining the budget.			.867

Sampling adequacy exceeded the threshold criterion (KMO=0.849). The percentage variance explained by the latent factor was 70.722%. This is regarded as a good indication that the items explain the underlying factor well. It was thus concluded that four items adequately describe the latent factor bases of rewards and has very good scale reliability (Cronbach's Alpha= 0.718).

4.3.8 Evaluating performance based on budget variances

Eight (8) items determine the extent of performance evaluation by achieving a budget's goal. The factor analysis confirmed that the underlying latent factor converged as assumed after deletion of 4 items (Performance3, Performance6, Performance7, and Performance8) due to low factor loadings (less than 0.5) (Table 4.17).

Table 4.17: results from factor analysis and reliability

Reliability- Cronbach's Alpha	.704	% Variance Explained	38.627%
KMO	.737	Bartlett's test	.000
Items			Standardised Regression Weights
My explanation of budget variances is always included in my performance report/review.			.624
I investigate favourable as well as unfavourable budget variances for my unit.			.519
I am evaluated on my ability to meet the budget for my unit. (Performance3)			deleted
I provide information on my unit's budget performance to my subordinates.			.743
I have to submit an explanation in written form about causes of large budget variances.			.642
We include actual information from earlier budget periods in the current budget period for comparison purposes. (Performance6)			deleted
Management dislikes units failing to meet their budgets. (Performance7)			deleted
Management judges performance only on the basis of attaining budget goals. (Performance8)			deleted

From the analysis the sampling adequacy was good (KMO=0.704). The percentage variance explained by the latent factor is 38.627%. This is regarded as a good indication that the items explain the underlying factor well. Thus four items adequately describe the latent factor evaluating performance based on budget variances. Cronbach's Alpha for this scale was 0.704 which falls within the criterion established for this study.

4.3.9 Actions towards budget variances

The study selected eight (8) items to determine the actions towards budget variances. The factor analysis confirms that the underlying latent factor converged as assumed (Table 4.18).

Table 4.18: Factor analysis and reliability-Actions towards budget variances

Reliability- Cronbach's Alpha	.924	% Variance Explained	60.581%
KMO	.949	Bartlett's test	.000
Items			Standardised Regression Weights
My superior mentions budgets when talking to me about my efficiency			.770
My status in the organization will improve if I receive an exceptionally favourable performance evaluation.			.800
I have to carefully monitor costs in my area of responsibility because of budgetary constraints.			.803
When evaluating my performance, my direct manager focuses on the quantitative aspects such as statistical figures rather than qualitative aspects such attitude, effort and initiative.			.746
I am required to trace the cause of budget variances to groups or individuals within my department.			.758
The budget in my department is set at a "tight" level to put pressure on employees to increase productivity and control costs.			.756
My performance is hampered by the budget I receive.			.798
I am required to report actions I take to correct causes of budget variances.			.795

Sampling adequacy is superb (KMO=0.949). The percentage variance explained by the latent factor is 60.581%. This is regarded as a good indication that the items explain the underlying factor well. It was thus concluded that eight items adequately describe the

latent factor action towards budget variances and there is an excellent scale of reliability (Cronbach's Alpha=0.924).

4.3.10 Attitude towards budget

Thirteen (13) items were selected to determine workers' attitudes towards budgets and budgeting processes. The factor analysis did not confirm that the underlying latent factor converged as assumed even after the stage based deletion of items (Hair et al. 2006). This is primarily due to low factor loadings (less than 0.4) and percentage variance explained (Hair et al. 2006). Therefore it was decided that this measure was not suitable for further quantitative analysis. Instead the study relies on a qualitative analysis only for this factor.

4.3.11 Use of rolling budgets

Three (3) items were used to determine the extent of using rolling budgets. The factor analysis did not confirm that the underlying latent factor converged as assumed due to low factor loadings (less than 0.4). Thus, this factor is not analysed further.

Hypothesis testing using t-test and ANOVA

In order to answer research issue one "how does each societal cultural dimension affect certain aspects of the budgeting process?" a t-test was used to test hypotheses. Levene's test was run first assuming equal variances between groups. If the Levene's test is significant then variances between groups are not equal. This means that the results of the test which shows 'equal variances are not assumed' are then considered. ANOVA was also used to test hypotheses in more detail identifying differences between Libyans in Libyan companies and Libyans in Anglo-American companies. Further tests of differences between Anglo-Americans and Libyans in Libyan companies and Libyans in Anglo-American companies were assessed.

A one-way ANOVA was conducted to look at the differences between: (1) Libyan employees who are working in Libyan companies and Anglo-Americans who are working in Anglo-American companies, (2) Libyans who are working in Libyan companies and Libyans who are working in Anglo-American companies, (3) Libyans who are working in Anglo-American companies and Anglo-Americans who are working in Anglo-American companies (Figure: 4.1).

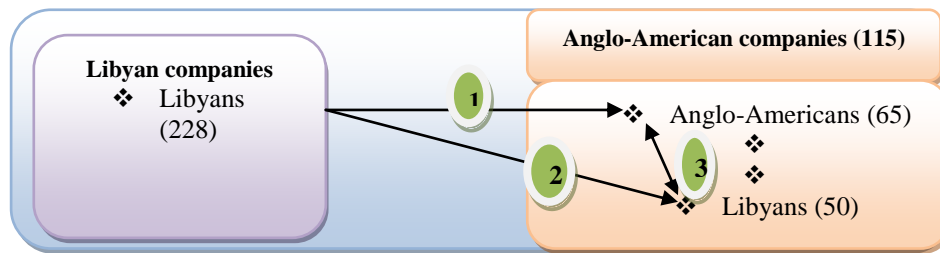


Figure 4.1: Three ways analysis frame work using ANOVA

Levene's test was checked for homogeneity of variances between groups. If this assumption is not met then the robust tests of mean differences for both Welch and Brown-Forsythe is used to check for the significant differences between the groups (Field 2009; Roth 1983; Weerahandi 1995; Xu et al. 2008). Post hoc analysis for multiple comparisons was conducted to determine differences among groups using a Scheffe test when the variances between groups are equal and Games-Howell test was applied when variances are not equal (Field 2009; Klahr et al. 2004). An Alpha level of 0.05 was used for all statistical analyses.

4.4.1 Hypothesis 1

In order to test hypothesis 1, "Participation of employees in budgeting processes is higher in Anglo-American companies than in Libyan companies", the study employed both t-test and ANOVA. T-test was applied to explore the differences between the Anglo American and Libyan companies' employees. A one-way ANOVA was conducted to explore the data for any differences among means of the three identified cultural groups of employees, as indicated above (Figure 4.1).

Independent samples t-test was conducted to compare employees' participation in budgeting processes of Anglo-American companies with those in Libyan companies (Table 4.19).

Table 4.19: Summary of t-test for H1

Participation	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.295	.256	6.176	328	.000
Company group	N	Mean	Std. Deviation		
Anglo American	115	3.8203	.68582		
Libyan	215	3.2829	.78665		

The Levene's test is not significant ($p=0.256$). Therefore, the groups' variances can be regarded as equal. The t-test indicates that there is a highly significant difference between the two company groups in terms of participation in budgeting processes ($t_{(328)}=6.176$, $p=0.001$). As predicted, employees in Anglo-Americans companies indicated a higher participation in budgeting processes ($M= 3.82$, $SD=0.68$) than those in Libyan companies ($M= 3.28$, $SD=0.78$). A one-way ANOVA was conducted to examine whether there are statistically significant differences in employees' participation in budgeting processes among the three cultural groups (Table 4.20).

Table 4.20: Homogeneity and Welch and Brown-Forsythe tests-participation

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
5.728	2	327	.004	Welch	60.580	2	124.365	.000
				Brown-Forsythe	56.466	2	197.694	.000

Test of homogeneity of variances shows that the variances between cultural groups are not equal (Levene's test =5.728, $p =0.004$). Because the variances between groups are not equal, it was appropriate to apply the Welch and Brown-Forsythe tests to determine if there are statistically significant differences among groups. Welch and Brown-Forsythe show a statistically significant difference among cultural groups (Table 4.20).

The analysis show a highly significant difference between cultural groups ($F_{(2,327)} = 40.123$, $p=0.001$). Anglo-American participants show the greatest participation in budgeting processes ($M=4.18$, $SD=0.53$), Libyan participants in Anglo-American companies indicated lesser participation ($M=3.353$, $SD=0.58$), similarly to Libyan participants in Libyan companies who show the least participation in budgeting processes ($M=3.28$, $SD=0.78$) (Table 4.21), (Figure 4.2).

Table 4.21: ANOVA-participation

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.				
						Libyans in Libyan-Coy	215	3.28	.786
Between Groups	40.922	2	20.461	40.123	.000	Libyans in A-American-Coy	50	3.35	.578
Within Groups	166.757	327	.510			Anglo-Americans	65	4.17	.528
Total	207.679	329				Total	330	3.47	.794

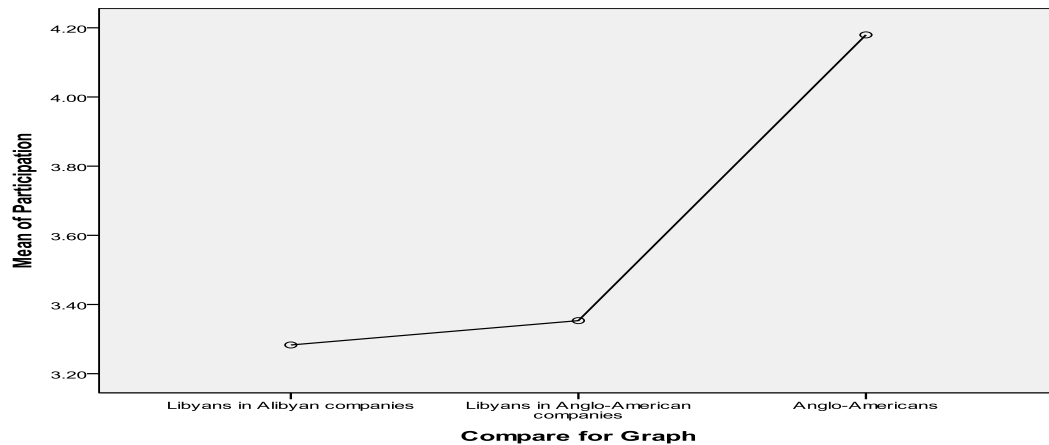


Figure 4.2: participation means by cultural group

Games-Howell Post-hoc comparisons (Table 4.22) were conducted because the variances between cultural groups are not equal. The results indicate that there are statistically significant differences between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies. Results indicate also there is no statistically significant difference between Libyan participants in Libyan companies and Libyan participants in Anglo-American companies. By contrast, there is a highly significant difference between Anglo-Americans and Libyans in Anglo-American companies.

Table 4.22: Games-Howell Post-hoc-participation

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Coy	Anglo-Americans	-.89654*	.08475	.000
	Libyans in Anglo-Coy	-.07039	.09789	.753
Anglo-Americans	Libyans in Anglo-Coy	.82615*	.10492	.000

Hypothesis 1 is supported. Anglo-American employees perceive that they participate much more in the budgeting processes than Libyan employees in Libyan companies and in Anglo-American companies. This indicates that power distance exerts influence on employees' participation in budgeting processes. It is obvious from Libyan employees in Anglo-American companies maintain their own culture even when they work in different companies with different culture.

4.4.2 Hypothesis 2

A t-test was calculated to test hypothesis 2 “Employees in Anglo-American companies are expected to have more voice (say) in the budgeting process than employees in Libyan companies”. Table 4.23 reports the findings of the test.

Table 4.23: Summary of t-test for H2

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	13.264	.000	6.202	328	.000
Equal variances not assumed			6.919	308.001	.000
Company group	N	Mean	Std. Deviation		
Anglo American	115	3.92	.545		
Libyan	215	3.41	.794		

The Levene’s test is highly significant ($p=0.001$). Therefore, groups’ variances cannot be regarded as equal. With equal variances not assumed, there is a statistically significant difference between the two company groups in terms of their voice (say) in budgeting processes ($t_{(328)}=6.919, p=0.001$). As predicted employees in Anglo-American companies have a higher level of say in budgeting processes ($M= 3.93, SD=0.54$) than those in Libyan companies ($(M= 3.41, SD=.79)$).

Table 4.24: Homogeneity and Welch and Brown-Forsythe-voice

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
15.005	2	327	.000	Welch	59.904	2	139.688	.000
				Brown-Forsythe	58.653	2	249.475	.000

Test of homogeneity of variances show that the variances between cultural groups are not equal for voice (Levene’s test =15.005, $p =0.001$). Because the variances between groups are not equal it is appropriate to apply the Welch and Brown-Forsythe tests to determine if there is a statistically significant difference between groups. Welch and Brown-Forsythe show a statistically significant difference between cultural groups (Table 4.24).

The analysis shows highly significant difference between the cultural groups ($F_{(2,327)} = 33.131, p=0.001$). Anglo-American participants have much more say in budgeting processes ($M=4.21, SD=0.43$) than either Libyan participants in Anglo-American

companies ($M=3.56$, $SD=0.44$), or Libyan participants in Libyan companies who have the least voice ($M=3.41$, $SD=0.79$) (Table 4.25), (Figure 4.3).

Table 4.25: ANOVA-voice

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	215	3.41	.794
Between Groups	31.815	2	15.908	33.131	.000	Anglo-Americans	65	4.21	.435
Within Groups	157.007	327	.480			Libyans in Anglo-Com	50	3.56	.447
Total	188.822	329				Total	330	3.59	.757

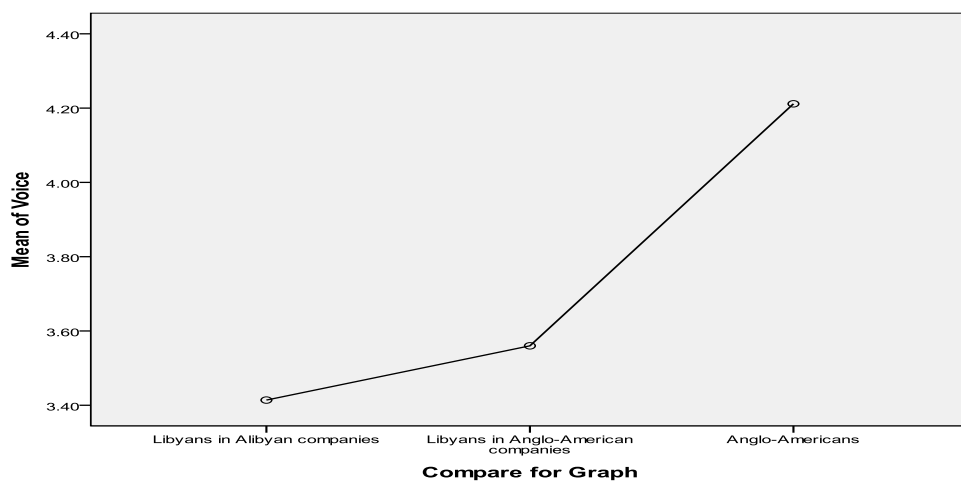


Figure 4:3 Voice means by cultural groups

Table 4.26: Games-Howell Post-hoc-voice

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Coy	Anglo-Americans	-.79758*	.07653	.000
	Libyans in Anglo-Coy	-.14605	.08332	.190
Anglo-Americans	Libyans in Anglo-Coy	.65154*	.08325	.000

Games-Howell Post-hoc comparisons (Table 4.26) was conducted because the variances between groups are not equal. The results indicate that there are highly significant differences between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies. There is no significant difference in participants' voice (say) in budgeting processes between Libyans in Libyan companies and Libyans in Anglo-American companies. By contrast, there is a highly significant difference between Anglo-Americans and Libyans in Anglo-American companies.

Hypothesis 2 is supported. Anglo-American employees perceive that they have much more voice in budgeting processes than Libyan employees in Libyan and Anglo-American companies. This indicates that the influence of societal culture on employees in the Libyan oil sector is high. One important question to emerge from these results is to what extent Libyan employees are truly given less voice and participation than Anglo-Americans in Anglo-American companies and to what extent do they fail to recognise or take advantage of opportunities that are present. This study does not answer this question as this study is a study of perceptions.

4.4.3 Hypothesis 3

To test hypothesis three “employees in Anglo-American companies are expected to gain more explanation about changes in their budgets in the budgeting process than those in Libyan companies” a t-test was conducted.

Table 4.27: Summary of t-test for H3

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.189	.664	6.182	328	.000
Company group	N	Mean	Std. Deviation		
Anglo American	115	3.69	.720		
Libyan	215	3.17	.731		

The Levene’s test is not significant ($p=0.664$). Therefore the groups’ variances can be assumed to be equal. The t-test indicates that there is a highly significant difference between the two company groups in terms of explanation received regarding changes in budgets ($t_{(328)}=6.182, p=0.001$). Employees in Anglo-Americans companies had a higher level of explanation provided about changes ($M= 3.69, SD=0.72$) than those in Libyan companies ($M= 3.17, SD=0.73$), (Table 4.27).

Using the same one-way ANOVA, the test of homogeneity of variances shows that the variances between cultural groups are equal (Levene’s test =2.219, $p =0.110$) (Table 4.28).

Table 4.28: Homogeneity of variances-explanation

Test of Homogeneity of Variances			
Levene Statistic	df1	df2	Sig.
2.219	2	327	.110

The ANOVA analysis shows highly significant differences among the groups ($F_{(2,327)} = 33.806, p=0.001$). Anglo-American employees receive more explanations about changes in their budgets ($M=3.99, SD=0.69$) than Libyans in Anglo-American companies receive ($M=3.31, SD=0.55$) who in turn receive more than Libyans in Libyan companies ($M=3.17, SD=0.73$), (Table 4.29), (Figure 4.4).

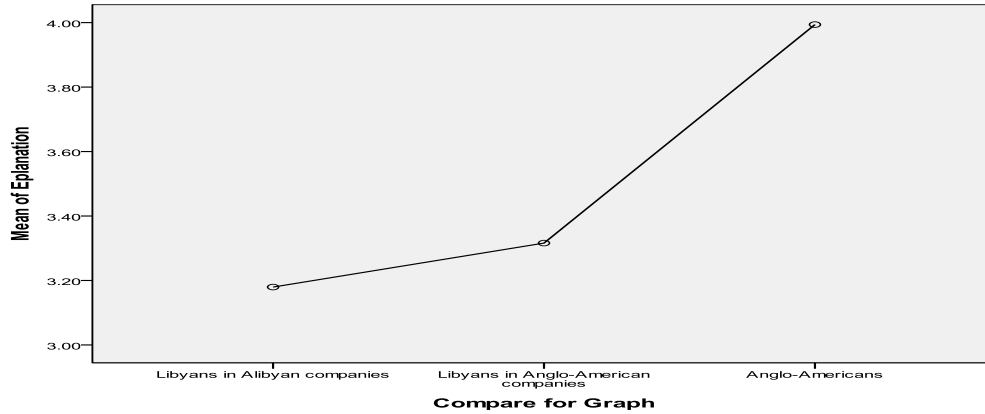


Figure 4.4: explanation means by cultural group

Table 4.29: ANOVA-explanation

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Coy	215	3.17	.731
Between Groups	33.213	2	16.607	33.806	.000	Anglo-Americans	65	3.99	.696
Within Groups	160.635	327	.491			Libyans in Anglo-Coy	50	3.31	.557
Total	193.848	329				Total	330	3.36	.767

Table 4.30 shows results from post-hoc comparisons using Scheffe test because the variances between cultural groups are equal. The results indicate that there are highly significant differences between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies. A significant difference was found between Libyans in Libyan companies and Libyans in Anglo-American companies while there is a highly significant difference between Anglo-Americans and Libyans in Anglo-American companies.

Table 4.30: Scheffe Post-hoc test-explanation

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Coy	Anglo-Americans	-.81431*	.09921	.000
	Libyans in Anglo-Coy	-.13647	.11004	.464
Libyans in Anglo-Coy	Anglo-Americans	.67785*	.13184	.000

Hypothesis 3 is supported. Anglo-American employees receive much more explanation about changes in their budgets than Libyan employees in Libyan and Anglo-American companies. This indicates that power distance exerts influence on explanations received by employees about changes in their budgets according to the nationalities of employees and regardless of the nationalities of the company they work in.

4.4.4 Hypotheses 4, 5 and 6

Hypothesis four “Anglo-American companies prepare long-term budgets to a lesser extent than Libyan companies” was addressed using qualitative analysis only because no items were included in the questionnaire.

Referring to section (4.3.4) for hypothesis five “Anglo-American companies adopt flexible budgeting practices to a larger extent than Libyan companies”, factor analysis indicates that items inadequately measure the factor. Thus no further statistical analysis was undertaken and qualitative analysis was used to address this hypothesis.

Hypothesis six “Anglo-American companies use rolling budgets to a larger extent than Libyan companies”, referring to section (4.3.10) factor analysis indicates the measures inadequately measure the factor. Thus qualitative analysis was used to address hypothesis six.

4.4.5 Hypothesis 7

A t-test was conducted to test Hypothesis 7 that “creation of budget slack will be larger in Anglo-American companies than in Libyan companies” (Table 4.31).

Table 4.31: Summary of t-test for H7

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.002	.967	-2.987	328	.003
Company group	N	Mean	Std. Deviation		
Anglo American	115	2.92	.751		
Libyan	215	3.17	.728		

The Levene's test is not significant ($p=0.967$). Therefore the groups' variances can be assumed to be equal. The t-test indicates that there is a significant difference between the two company groups in terms of creating slack in their budgets ($t_{(328)} = -2.987$, $p=0.003$). Employees in Anglo-Americans companies had less inclination to create slack in their budgets ($M= 2.92$, $SD=0.75$) than employees in Libyan companies and possibly less ability to do so ($M= 3.17$, $SD=0.72$).

To examine whether there are statistically significant differences among cultural groups in terms of creating slack in their budgets one-way ANOVA was conducted.

Table 4.32: Homogeneity, Welch and Brown-Forsythe tests-slack

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
4.655	2	327	.010	Welch	5.111	2	103.475	.008
				Brown-Forsythe	4.333	2	130.732	.015

The test of homogeneity of variances shows that variances between cultural groups are not equal (Levene's test =4.655, $p =0.010$). Because variances between these groups are not equal it is appropriate to apply the Welch and Brown-Forsythe tests to determine if there is a statistically significant difference between cultural groups. Welch and Brown-Forsythe showed significant differences among groups (Table 4.32).

The ANOVA analysis indicates a significant difference between the cultural groups ($F_{(2,327)} = 4.652$, $p=0.010$). Anglo-American employees have the least tendency to create slack in their budgets ($M=2.89$, $SD=0.64$) than Libyan employees in Anglo-American companies who have only a slightly higher tendency to create slack ($M=2.96$, $SD=0.87$). However, Libyan employees in Libyan companies showed the highest tendency to create a slack in their budgets ($M=3.17$, $SD=0.72$), (Table 4.33) (Figure 4.5).

Table 4.33: ANOVA-slack

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Coy	215	3.17	.728
Between Groups	5.061	2	2.531	4.652	.010	Anglo-Americans	65	2.89	.648
Within Groups	177.887	327	.544			Libyans in Anglo-Coy	50	2.96	.871
Total	182.948	329				Total	330	3.08	.745

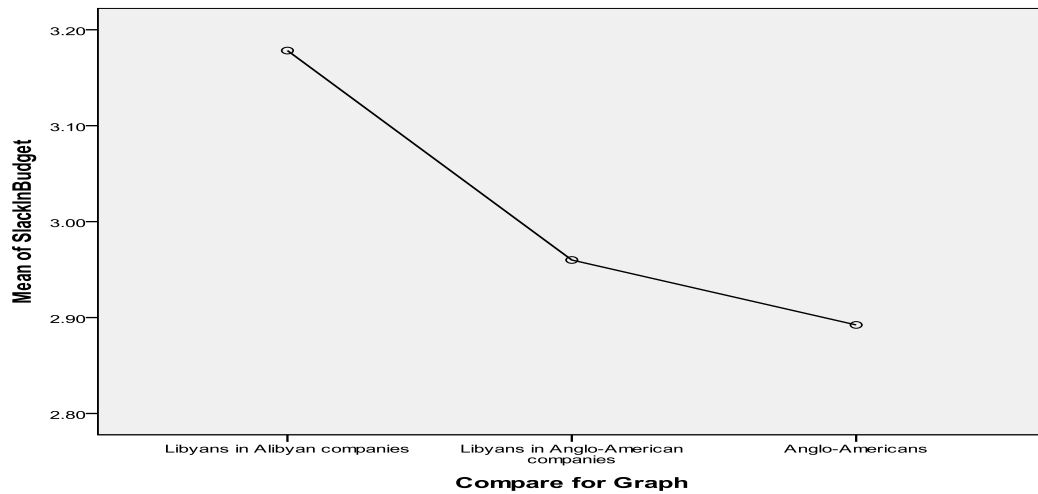


Figure 4.5: Slack means by cultural group

Table 4.34 shows the results from Games-Howell post-hoc comparisons. Games-Howell was used because the variances between cultural groups are not equal. The results indicate that there is a highly significant difference between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies. Results indicate also that there is no significant difference between Libyans in Libyan companies and Libyans in Anglo-American companies. There is also no significant difference between Anglo-Americans and Libyans in Anglo-American companies.

Table 4.34: Games-Howell post-hoc-slack

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Coy	Anglo-Americans	.28599*	.09456	.009
	Libyans in Anglo-Coy	.21829	.13296	.236
Anglo-Americans	Libyans in Anglo-Coy	-.06769	.14722	.890

Hypothesis 7 was not supported. Anglo-Americans create less slack in their budgets than Libyans in Libyan companies. Societal culture dimension UA does not exert the same influence in Libyan oil sector as other sectors.

4.4.6 Hypothesis 8

A t-test conducted for hypothesis eight “In Anglo-American companies the bases of rewards are more often based on meeting budgets’ goal rather than on a company’s actual profit as in Libyan companies”.

Table 4.35: Summary of t-test for H8

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	12.389	.000	23.390	328	.000
Equal variances not assumed			25.443	292.041	.000
Company group	N		Mean	Std. Deviation	
Anglo American	115		4.02	.512	
Libyan	215		2.32	.680	

The Levene’s test is significant ($p=0.001$). Therefore groups’ variances cannot be equal. T test with equal variances not assumed indicates that there is a statistically significant difference between the two company groups in terms their bases of rewards ($t_{(292.04)}=25.443$, $p=0.001$). Anglo-American companies have a much greater structuring of rewards based on meeting budgets’ goals ($M= 4.02$, $SD=0.51$) than Libyan companies ($M= 2.32$, $SD=0.68$) (Table 4.35).

A one-way ANOVA was conducted to examine whether there are statistically significant differences between cultural groups in terms the bases of rewards.

Table 4.36: Homogeneity, Welch and Brown-Forsythe testes-rewards

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
19.622	2	327	.000	Welch	464.310	2	137.320	.000
				Brown-Forsythe	552.378	2	240.436	.000

Based on a one-way ANOVA, the test of homogeneity of variances showed that the variances between groups are not equal (Levene’s test =19.622, $p =0.001$). Therefore,

Welch and Brown-Forsythe tests show a highly significant difference between cultural groups (Table 4.36).

The analysis indicates a significant difference between the cultural groups ($F_{(2,327)} = 321.120$, $p=0.001$). Anglo-Americans' perceive that rewards are based on meeting budgets' goals ($M=4.32$, $SD=0.38$). They show the highest perception relative to Libyans working in Anglo-American companies ($M=3.64$, $SD=0.40$), who in turn are much higher than Libyans in Libyan companies ($M=2.32$, $SD=0.68$) (Table 4.37) (Figure 4.6).

Table 4.37: ANOVA-rewards

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	215	2.32	.680
Between Groups	228.149	2	114.074	321.120	.000	Anglo-Americans	65	4.32	.378
Within Groups	116.163	327	.355			Libyans in Anglo-Com	50	3.64	.401
Total	344.312	329				Total	330	2.91	1.023

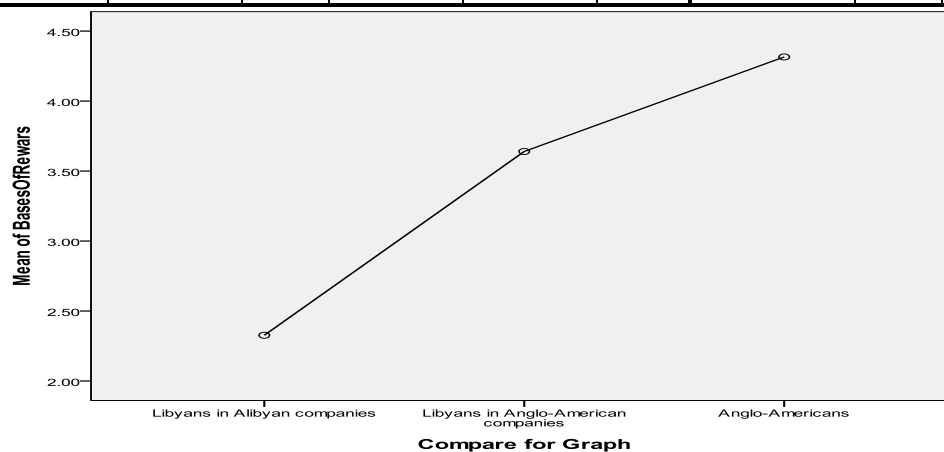


Figure 4.6: Rewards means by cultural groups

A games-Howell post-hoc test was used because the variances between cultural groups are not equal (Table 4.38).

Table 4.38: Games-Howell Post-hoc test-rewards

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Com	Anglo-Americans	-1.98864*	.06600	.000
	Libyans in Anglo-Coy	-1.31326*	.07332	.000
Anglo-Americans	Libyans in Anglo-Coy	.67538*	.07365	.000

The results indicate that there are highly significant differences between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies. Results also indicate there is a highly significant difference between Libyans in Libyan companies and Libyans in Anglo-American companies and similarly between Anglo-Americans and Libyans in Anglo-American companies.

Hypothesis 8 was supported. Anglo-American companies use budgets as a basis to rewards employees while Libyan companies do not use budgets in rewarding their employees.

4.4.7 Hypothesis 9

Table 4.39: Summary of t-test for H9

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.394	.239	6.584	328	.000
Company group		N	Mean	Std. Deviation	
Anglo American		115	3.45	.738	
Libyan		215	2.92	.681	

Levene's test is not significant ($p=0.239$). Therefore the groups' variances can be assumed as equal. The t-test indicates that there is a highly significant difference between the two company groups ($t_{(328)}=6.584$, $p=0.001$). Anglo-American companies have a greater inclination to use variances to evaluate workers' performance ($M= 3.46$, $SD=0.74$) than Libyan companies ($M= 2.92$, $SD=0.68$) (4.39).

Test of homogeneity of variances shows that the variances between cultural groups are equal (Levene's test =2.647, $p=0.072$) (Table 4.40).

Table 4.40: Homogeneity, Welch and Brown-Forsythe tests-variances

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
2.647	2	327	.072	Welch	25.411	2	101.693	.000
				Brown-Forsythe	20.811	2	128.866	.000

The ANOVA analysis (Table 4.41) indicates a highly significant difference between cultural groups ($F_{(2,327)}= 23.173$, $p=0.001$). Anglo-Americans perceive that variances are

used to evaluate performance ($M=3.55$, $SD=0.63$). Libyans in Anglo-American companies show slightly higher using of variances ($M=3.33$, $SD=0.84$), than Libyans in Libyan companies ($M=2.92$, $SD=.68$) but less than their Anglo-American colleagues (Table 4.41) (Figure 4.7).

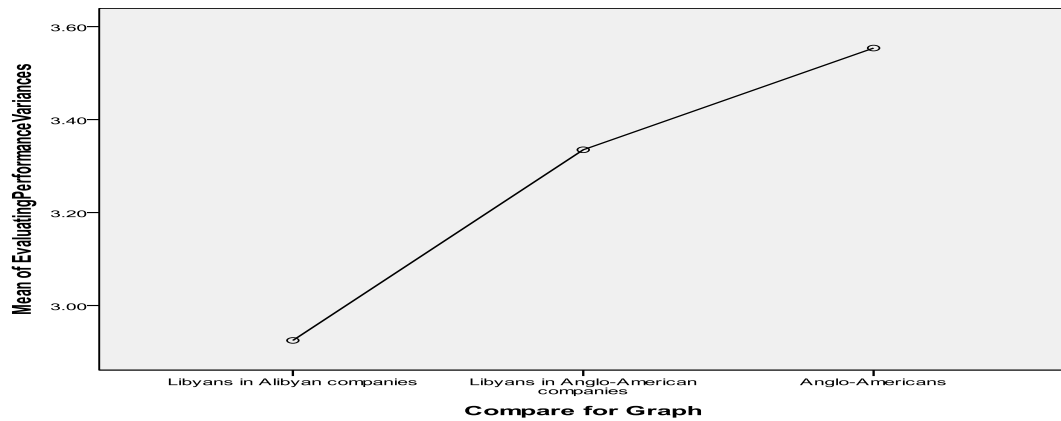


Figure 4.7: variances means by cultural group

Table 4.41: ANOVA-variances

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Coy			
Between Groups	22.705	2	11.353	23.173	.000	Anglo-Americans	65	3.55	.635
Within Groups	160.198	327	.490			Libyans in Anglo-Coy	50	3.33	.844
Total	182.903	329				Total	330	3.11	.745

Scheffe test was used because variances between cultural groups are equal. The results indicate that there is a highly significant difference between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies, as there is between Libyans in Libyan companies and Libyans in Anglo-American companies. However, there is no significant difference between Anglo-Americans and Libyans in Anglo-American companies (4.42).

Table 4.42: Scheffe post-hoc test-variances

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Com	Anglo-Americans	-.62898*	.09907	.000
	Libyans in Anglo-Com	-.41014*	.10989	.001
Anglo-Americans	Libyans in Anglo-Com	.21885	.13166	.253

Hypothesis 9 was supported. Anglo-American companies use variances to evaluate performance while Libyan companies do not use variances to evaluate employees' performance.

4.4.8 Hypothesis 10

The Levene's test for H10 "Anglo-American companies take prompter and more decisive action in regards to unfavourable variances than Libyan companies" is significant ($p=0.001$). Thus the groups' variances cannot be assumed to be equal. There is a highly significant difference between the two company groups ($t_{(328)}=35.66$, $p=0.001$). Anglo-American companies show a greater indication to take prompter more decisive action to unfavourable variances ($M=3.80$, $SD=0.52$) relative to Libyan companies ($M=1.96$, $SD=0.27$) (Table 4.43).

Table 4.43: Summary of t-test for H10

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	83.196	.000	42.360	328	.000
Equal variances not assumed			35.655	149.070	.000
Company group	N		Mean	Std. Deviation	
Anglo American	115		3.80	.516	
Libyan	215		1.96	.273	

Test of homogeneity of variances showed that the variances between groups are not equal (Levene's test =18.599, $p =0.000$) (Table 4.44).

Table 4.44: Homogeneity, Welch and Brown-Forsythe tests-action towards variances

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
18.599	2	327	.000	Welch	1079.261	2	97.814	.000
				Brown-Forsythe	1056.247	2	125.675	.000

The ANOVA analysis (Table 4.45) indicates highly significant differences among the cultural groups ($F_{(2,327)}=1333.594$, $p=0.001$). Anglo-Americans' perceptions about actions taken as a result of unfavourable variances are the highest ($M=4.10$, $SD=0.45$). Libyans in Anglo-American companies show slightly higher perceptions ($M=3.40$,

SD=0.27), than Libyans in Libyan companies (M=2.92, SD=0.68) but still less than Anglo-Americans in Anglo-American companies (Figure 4.8).

Table 4.45: ANOVA-unfavourable variances means by cultural groups

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Coy	215	1.96	.273
Between Groups	267.541	2	133.771	1333.594	.000	Anglo-Americans	65	4.10	.454
Within Groups	32.801	327	.100			Libyans in Anglo-Coy	50	3.40	.268
Total	300.342	329				Total	330	2.60	.955

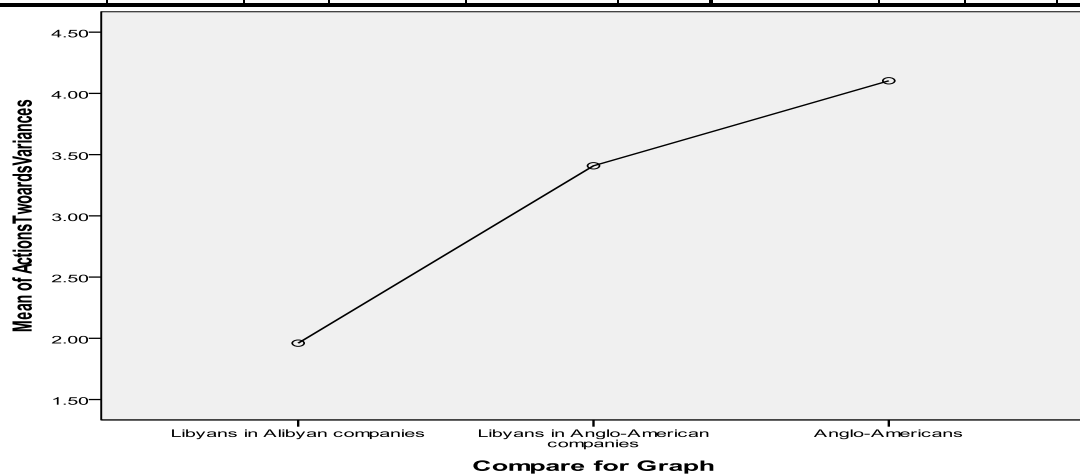


Figure 4.8: unfavourable variances means by cultural groups

Games-Howell test indicates that there are highly significant differences between all three cultural groups (Table 4.46).

Table 4.46: Games-Howell post-hoc test-unfavourable variances action

(I) Comparisons among groups	(J) Comparisons among groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Com	Anglo-Americans	-2.14273*	.05943	.000
	Libyans in Anglo-Com	-1.44863*	.04228	.000
Anglo-Americans	Libyans in Anglo-Com	.69410*	.06798	.000

This hypothesis was supported. Anglo-American companies usually take action towards unfavourable variances while Libyan companies do not usually take actions towards unfavourable variances.

4.4.9 Hypothesis 11

Hypothesis 11 “Anglo-American employees have more positive attitude towards budgets and budgeting processes than Libyan employees”. Referring to section (4.3.9) factor analysis indicates inadequate measure for this factor. Thus no further statistical analysis was taken.

The previous analysis showed that societal cultural dimensions have impact on budgets and budgeting processes in the Libyan oil sector. Results also indicated that there are significant differences between Libyan and Anglo-American companies operating in the Libyan oil sector in regard to their budgets and budgeting processes. These differences exist between Libyans and Anglo-Americans even when Libyans work in Anglo-American companies. This indicates that culture is embedded in employees’ managerial behaviour and it still exerts influence on employees. In this context, education, position, and being manager or accountant it might create difference within the previous results. Therefore, further analysis is needed to support the previous analysis.

4.5 Cultural differences in relation to educational level

Further analysis was conducted to investigate if there are differences between cultures in Libyan and Anglo-American companies at two levels of education. This additional analysis was undertaken to further investigate how culture impacts on budgets and budgeting processes. Low level of education is classified as below bachelor and high level of education as bachelor and postgraduate degree holders. Most of the participants in both companies hold a high level of education (86%). No analysis was undertaken of those with low level of education because there were an insufficient number of participants to conduct comparisons.

A t-test was conducted to compare employees in Libyan and Anglo-American companies in terms of participation, voice, explanation, creating slack in budgets, bases of rewards, using variances to evaluate performance, and action towards unfavourable variances. Workers who have a high level of education show a statistically significant difference between the Libyan and Anglo-American employees. The results are similar to the results obtained from previous analysis that was conducted for both types of companies

(Appendix D). The influence of societal culture on budgets and budgeting processes in Libyan and Anglo-American companies is similar regardless of educational level.

A one-way ANOVA was conducted to compare Libyans in Libyan companies, Anglo-Americans, and Libyans in Anglo-American companies (Figure 4.1) who have a high level of education in terms of participation, voice, explanation, creating slack in budgets, bases of rewards, using variances to evaluate performance, and action towards unfavourable variances.

4.5.1 Participation

Table 4.47: Homogeneity, Welch and Brown-Forsythe tests-education and participation

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
5.051	2	281	.007	Welch	58.906	2	100.742	.000
				Brown-Forsythe	53.696	2	153.341	.000

Test of homogeneity of variances shows that the variances between groups are not equal (Levene's statistic =5.05 $p = 0.007$). However, Welch and Brown-Forsythe tests show a highly significant difference between the three cultural groups (Table 4.47).

Table 4.48: ANOVA and Games-Howell post-hoc- education and participation

ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Coy	183	3.27	.788
Between Groups	40.740	2	20.370	39.705	.000	Anglo-Americans	62	4.20	.525
Within Groups	144.161	281	.513			Libyans in Anglo-Coy	39	3.36	.610
Total	184.900	283				Total	284	3.49	.808
(I) High Level of education by cultural group			(J) High Level of education by cultural group			Mean Difference (I-J)	Std. Error	Sig.	
Libyans in Libyan-Coy			Anglo-Americans			-.92921*	.08864	.000	
			Libyans in Anglo-Coy			-.08547	.11380	.734	
Anglo-Americans			Libyans in Anglo-Coy			.84374*	.11839	.000	

There are statistically significant differences between the groups ($F_{(2,281)} = 39.705$, $p = 0.001$). Anglo-Americans with high levels of education show greatest participation in the budgeting processes ($M = 4.21$, $SD = 0.52$), Libyans who are working in Anglo-American companies with high levels of education show less participation ($M = 3.36$,

SD=0.61), and Libyans who are working in Libyan companies show the least participation in the budgeting process ($M=3.28$, $SD=0.79$) (Table 4.48).

Games-Howell Post-hoc comparisons (Table 4.48) indicate that there are highly significant differences between Anglo-Americans and Libyans in Libyan companies and also between Libyans in Anglo-American companies. Also, results indicate that there is no significant difference between Libyan in Libyan companies and Libyans in Anglo-American companies in their participation in budgeting processes (Figure 4.9).

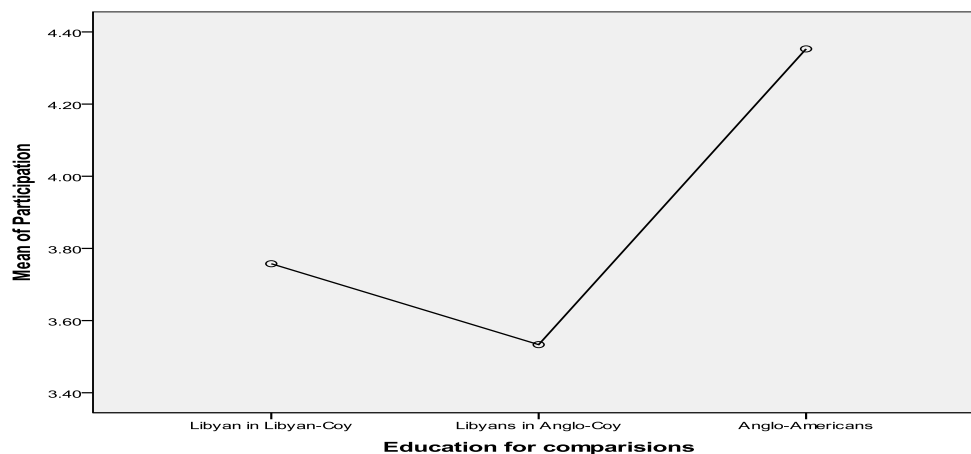


Figure 4:9: Participation means by cultural group at high education level

The analysis shows there are very little differences to previous analyses among the three cultural groups for participation and for voice, explanation, creating slack in budgets, bases of rewards, using variances to evaluate performance, and action towards unfavourable variances regardless of education levels. This could mean that the impact of culture is greater than educational level although those with high education level are 86% of the sample (See Appendix E).

4.6 Cultural differences in relation to positions held

Further analysis was also conducted to provide additional insights into any differences between Libyan and Anglo-American companies' employees operating at different managerial levels. Management is divided into three levels; high level management (CEO/directors, managers, deputy managers, and senior managers); middle level management (middle managers); and low level management (heads of budget's sections

and accountants). The latter are considered lower level of management as they tend to be involved directly in budgets and budgeting processes.

4.6.1 High management level

A t-test was conducted to test hypotheses (H1, H2, H3, H7, H8, H9, and H10) in terms of the differences between Libyan and Anglo-American companies' employees for those who are in high management level. Results show (Appendix F) similar differences between the two types of companies for all hypotheses except 'creating slack in budgets'. No statistical difference was found between Libyan and Anglo-American companies' high level managements' tendencies to create slack in their budgets ($t_{(74)} = -.384$, $p=0.702$) (Table 4.49). The previous comparison between Libyan and Anglo-American companies at all levels of management showed a statistical significant difference ($t_{(328)} = -2.987$, $p=0.003$) (Table 4.31). Thus, the other two levels of management were explored further.

Table 4.49: T-test-slack in budgets by high level management

slack of budget High H7 Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.272	.263	-.384	74	.702
Company group	N	Mean	Std. Deviation		
Anglo-American	44	2.909	.723		
Libyan	32	2.979	.863		

4.6.2 Middle management level

A t-test was also conducted to test hypotheses (H1, H2, H3, H4, H7, H8, H9, and H10) in terms of the differences between Libyan and Anglo-American companies for those who are in middle management level. Results show a significant difference between Libyan and Anglo-American at middle level management (Appendix G). These results are similar to results obtained from the analysis at all managerial levels.

4.6.3 Low management level

In terms of the differences between Libyan and Anglo-American companies' employees at low management level, a t-test was conducted to test hypotheses (H1, H2, H3, H7, H8, H9, and H10). Results show (Appendix H) statistical significant differences between the two types of companies for all the hypotheses except H7 'creating slack in budgets'.

Results show no statistical differences between low level employees' tendencies in creating slack in their budgets ($t_{(147)} = -1.690, p = 0.093$) (Table 4.50).

Table 4.50: T-test-creating a slack in budgets by low level management

slack in budgets H7 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.350	.555	-1.690	147	.093
Company group	N	Mean	Std. Deviation		
Anglo-American	34	3.01	.814		
Libyan	115	3.25	.721		

In contrast, the earlier comparison between Libyan and Anglo-American companies' employees at all levels of management showed a statistical difference between Libyan and Anglo-American companies in employees' tendencies to create slack in their budgets ($t_{(328)} = -2.987, p = 0.003$) (Table 4.31).

It can be concluded that the influence of culture on budget aspects in Libyan and Anglo-American companies operating in the Libyan sector has significant influence at high, middle and low managerial levels except when it comes to tendencies to create slack in their budgets. At high and low management levels, this could mean that there is more pressure on middle management to meet budget objectives than on high managerial levels or on the staff that prepare budgets.

4.7 Cultural differences in relation to managers vs. accountants

To explore if there are differences between managers and accountants in relation to budgets and budgeting processes, an ANOVA was run for hypotheses H1, H2, H3, H4, H7, H8, H9, and H10 to see if there is a difference among these positions for each cultural group (Figure: 4.1).

4.7.1 Participation

Test of homogeneity of variances shows that variances between groups are not equal (Levene's test = 5.657, $p = 0.000$). However, Welch and Brown-Forsythe tests show that there are highly significant differences between groups. Results from ANOVA indicate that there is a highly statistical difference (Table 4.46) between managers and accountants.

The analysis show highly significant differences between the groups ($F_{(5,324)} = 21.042$, $p=0.000$). Anglo-American managers show the greatest participation in budgeting processes ($M=4.24$, $SD=0.39$). By contrast, Libyan managers in Anglo-American companies show lesser participation in budgeting processes ($M=3.53$, $SD=0.44$). Anglo-American accountants ($M=4.14$, $SD=.61$) show similar participation results to Anglo-American managers. By contrast, Libyan accountants show lesser participation in budgeting processes ($M=3.14$, $SD=0.66$). In Libyan companies, accountants show the lowest participation in budgeting processes ($M=3.13$, $SD=0.79$) while managers in Libyan companies show slightly higher participation ($M=3.5$, $DS=.62$) than Libyan accountants in Libyan companies ($M=3.13$, $SD=0.84$) and Libyan accountants in Anglo-American companies ($M=3.14$, $SD=0.66$) (Table 4.51) (Figure 4.10).

Table 4.51: Homogeneity, Welch and Brown-Forsythe tests-participation

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
5.657	5	324	.000	Welch	29.89	5	93.32	.000
				Brown-Forsythe	28.98	5	211.62	.000
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	50.906	5	10.181	21.042	.000			
Within Groups	156.773	324	.484					
Total	207.679	329						
Descriptive		N	Mean	Std. Deviation				
Anglo-American Managers		26	4.24	.389				
Libyan Managers in Anglo-Coy		27	3.53	.438				
Anglo-Americans Accountants		39	4.14	.606				
Libyan Accountants in Anglo-Coy		23	3.14	.659				
Libyans Managers in Libyan-Coy		82	3.53	.620				
Libyans Accountants in Libyan-Coy		133	3.13	.840				
Total		330	3.47	.794				

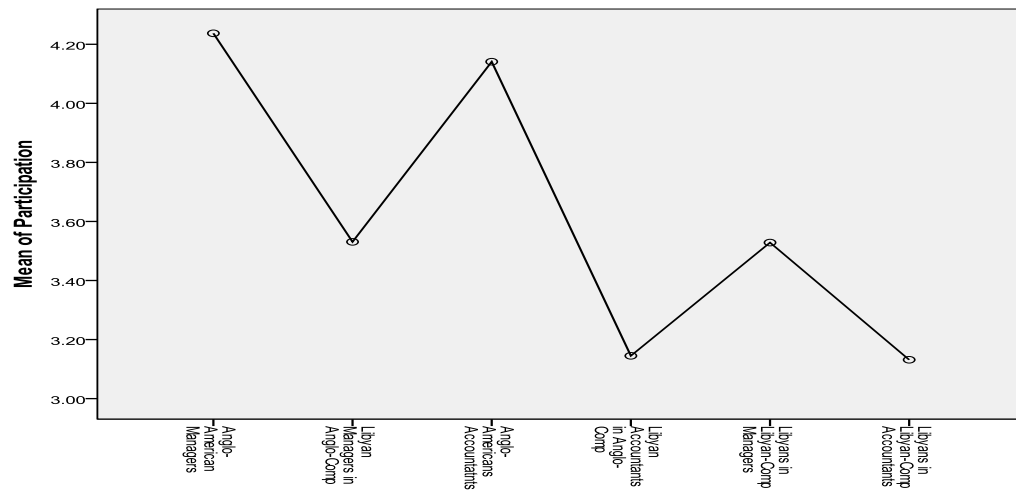


Figure 4:10: Participation means cultural group for managers and accountants

Games-Howell post hoc test shows the statistical differences between managers and accountants by cultural group (Table 4.52).

Table 4.52: Results of post hoc analysis of managers and accountants

(I) Games-Howell	(J) Comparisons among groups	Mean Difference (I-J)	Std. Error	Sig.
Anglo-American Managers	Libyan Managers in Anglo-A-Coy	.70632*	.11381	.000
	Anglo-Americans Accountants	.09615	.12352	.970
	Libyan Accountants in Anglo-A-Coy	1.09225*	.15730	.000
	Libyan Managers in Libyan Com	.70872*	.10255	.000
	Libyan Accountants in Libyan Com	1.10560*	.10555	.000
Libyan Managers in Anglo-American-A-Coy	Anglo-Americans Accountants	-.61016*	.12867	.000
	Libyan Accountants in Anglo-A-Coy	.38594	.16138	.185
	Libyan Managers in Libyan Com	.00241	.10870	1.000
	Libyans Accountants in Libyan Com	.39929*	.11153	.008
Anglo-Americans Accountants	Libyan Accountants in Anglo-A-Coy	.99610*	.16837	.000
	Libyan Managers in Libyan Com	.61257*	.11883	.000
	Libyan Accountants in Libyan Com	1.00945*	.12142	.000
Libyan Accountants in Anglo-A-Coy	Libyan Managers in Libyan Com	-.38353	.15365	.154
	Libyan Accountants in Libyan Com	.01335	.15566	1.000
Libyan Accountants in Libyan Com	Libyan Managers in Libyan Com	-.39688*	.10002	.001

4.7.2 Voice

One-way ANOVA was conducted to examine whether there are statistically significant differences in employees' voice or say in budgeting processes between the groups. Results

indicate that there is a significant difference between managers and accountants similar to participation (Appendix I).

4.7.3 Explanation

The same technique (ANOVA) was used to examine whether there are statistically significant differences in the explanation that employees receive about changes in their budgets between managers and accountants. Test of homogeneity of variances shows that variances between groups are equal (Levene's test = 2.225, $p = 0.052$). Therefore, the ANOVA shows that there are highly significant differences among groups ($F_{(5,324)} = 15.50$, $p = 0.000$). Welch and Brown-Forsythe also support the results (Table 4.53).

Table 4.53: ANOVA for explanation by cultural group for managers and accountants

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
2.225	5	324	.052	Welch	16.048	5	90.104	.000
				Brown-Forsythe	18.488	5	212.003	.000
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	37.419	5	7.484	15.500	.000			
Within Groups	156.429	324	.483					
Total	193.848	329						
Descriptive		N	Mean	Std. Deviation				
Anglo-American Managers		26	4.246	.645				
Libyan Managers in Anglo-Coy		27	3.392	.626				
Anglo-Americans Accountants		39	3.825	.685				
Libyan Accountants in Anglo-Coy		23	3.226	.460				
Libyans Managers in Libyan-Coy		82	3.270	.635				
Libyans Accountants in Libyan-Coy		133	3.123	.781				
Total		330	3.360	.767				

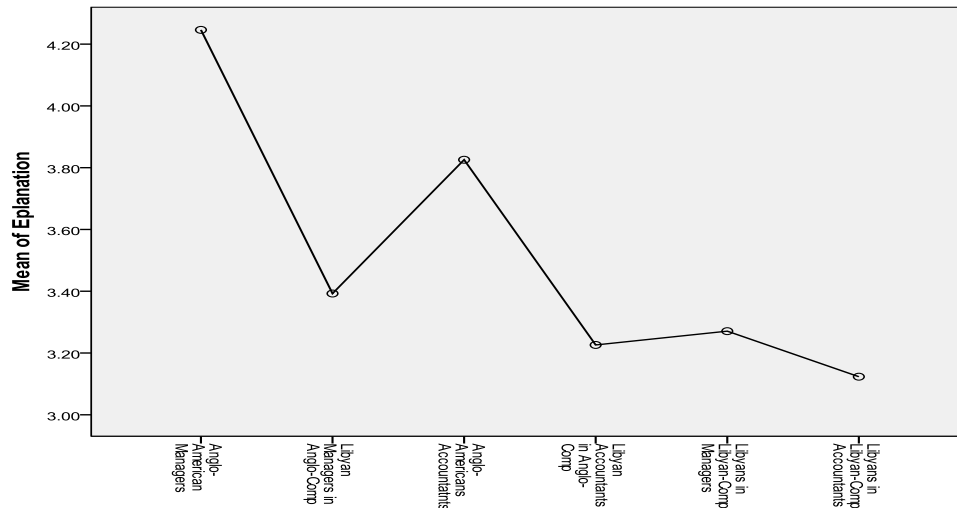


Figure 4:11: Explanation by cultural group for manager and accountants

Scheffe post hoc test shows the statistical differences between the groups (Table 4.54).

Table 4.54: Scheffe post-hoc-explanation by cultural group for accountants and managers

(I) Scheffe	(J) Comparisons among groups	Mean Difference (I-J)	Std. Error	Sig.
Anglo-American Managers	Libyan Managers in Anglo-Coy	.85356*	.19092	.002
	Anglo-Americans Accountants	.42051	.17592	.338
	Libyan Accountants in Anglo-Coy	1.02007*	.19890	.000
	Libyan Managers in Libyan Coy	.97542*	.15639	.000
	Libyan Accountants in Libyan Coy	1.12285*	.14900	.000
Libyan Managers in Anglo-Coy	Anglo-Americans Accountants	-.43305	.17396	.290
	Libyan Accountants in Anglo-Coy	.16651	.19716	.982
	Libyan Managers in Libyan Coy	.12186	.15417	.987
	Libyans Accountants in Libyan Coy	.26928	.14667	.643
Anglo-Americans Accountants	Libyan Accountants in Anglo-Coy	.59955	.18268	.059
	Libyan Managers in Libyan Com	.55491*	.13516	.006
	Libyan Accountants in Libyan Coy	.70233*	.12653	.000
Libyan Accountants in Anglo-Coy	Libyan Managers in Libyan Coy	-.04464	.16395	1.000
	Libyan Accountants in Libyan Coy	.10278	.15691	.994
Libyan Accountants in Libyan Coy	Libyan Managers in Libyan Coy	-.14742	.09756	.808

Anglo-American managers receive the greatest explanation about changes in budgeting processes (M=4.25, SD=0.65). By contrast, Libyan managers in Anglo-American companies receive lesser explanation about changes in their budgets (M=3.39, SD=0.63). Anglo-American accountants receive lesser explanation about changes (M=3.83, SD=0.68) compared to Anglo-American managers. By contrast, Libyan accountants in

Anglo-American companies receive less explanation ($M=3.22$, $SD=0.46$) than their peers in the same companies. In Libyan companies, accountants receive the lowest explanation ($M=3.12$, $SD=0.78$) while managers in Libyan companies receive slightly higher explanation ($M=3.27$, $SD=0.63$) than Libyan accountants in Libyan companies ($M=3.12$, $SD=0.78$) and Libyan accountants in Anglo-American companies ($M=3.22$, $SD=0.46$) (Table 4.53) (Figure 4.11).

4.7.4 Slack in budgets

A one-way ANOVA also was conducted to examine whether there are statistically significant differences between manager and accountant groups in their tendencies to create slack in their budgets. Test of homogeneity of variances shows that the variances between groups are not equal (Levene's test =3.379, $p = .005$). Therefore, Welch and Brown-Forsythe tests were used and show that there are no statistical significant differences between groups ($F_{(5,324)} = 1.949$, $p=0.086$) (Table 4.55).

Table 4.55: ANOVA-slack in budget by managers and accountants

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
3.379	5	324	.005	Welch	2.254	5	85.092	.056
				Brown-Forsythe	1.815	5	146.648	.113
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	5.343	5	1.069	1.949	.086			
Within Groups	177.605	324	.548					
Total	182.948	329						
Descriptive		N	Mean	Std. Deviation				
Anglo-American Managers		26	2.935	.766				
Libyan Managers in Anglo-Coy		27	2.938	.886				
Anglo-Americans Accountants		39	2.863	.565				
Libyan Accountants in Anglo-Coy		23	2.985	.873				
Libyans Managers in Libyan-Coy		82	3.142	.674				
Libyans Accountants in Libyan-Coy		133	3.200	.762				
Total		330	3.088	.745				

Results from Games-Howell post hoc test (Table 4.56) show no differences between managers and accountants in their tendencies to create slack in their budgets except between Libyan accountants in Libyan companies who show higher tendencies to create

slack in their budgets ($M=3.2$, $SD=0.76$) than Anglo-Americans accountants ($M=2.86$, $SD=.56$) (Figure 4.12).

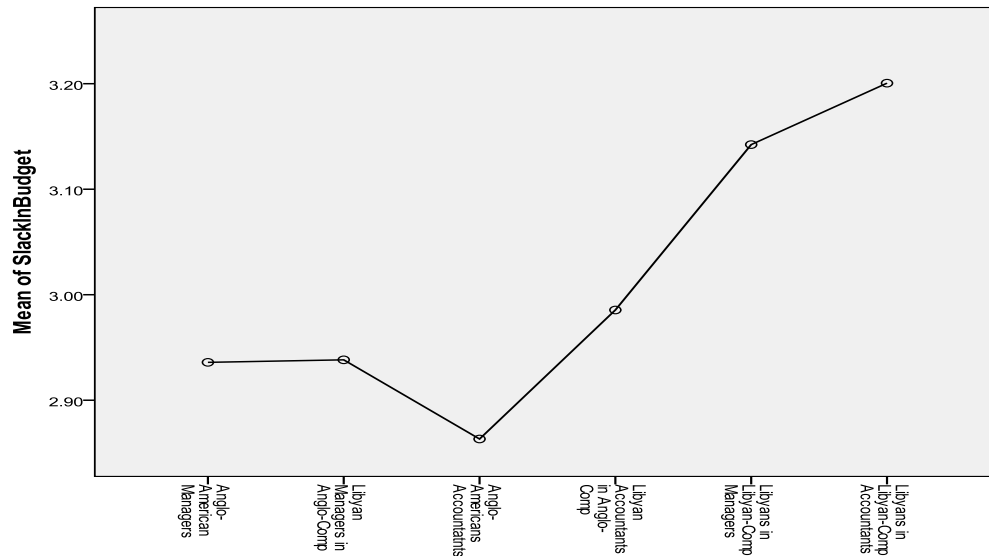


Figure 4:12: Slack in budget by cultural group for managers and accountants

Table 4.56: Games-Howell post hoc analysis-slack in budget by cultural group

(I) Games-Howell	(J) Comparisons among cultural group	Mean Difference (I-J)	Std. Error	Sig.
Anglo-American Managers	Libyan Managers in Anglo-Coy	-.00237	.22739	1.000
	Anglo-Americans Accountants	.07265	.17543	.998
	Libyan Accountants in Anglo-Coy	-.04961	.23605	1.000
	Libyan Managers in Libyan-Coy	-.20638	.16771	.819
	Libyan Accountants in Libyan-Coy	-.26460	.16412	.596
Libyan Managers in Anglo-Coy	Anglo-Americans Accountants	.07502	.19323	.999
	Libyan Accountants in Anglo-Coy	-.04724	.24957	1.000
	Libyan Managers in Libyan-Coy	-.20400	.18625	.880
	Libyans Accountants in Libyan-Coy	-.26223	.18303	.707
Anglo-Americans Accountants	Libyan Accountants in Anglo-Coy	-.12226	.20335	.990
	Libyan Managers in Libyan-Coy	-.27903	.11730	.175
	Libyan Accountants in Libyan-Coy	-.33725*	.11212	.039
Libyan Accountants in Anglo-Coy	Libyan Managers in Libyan-Coy	-.15677	.19673	.966
	Libyan Accountants in Libyan-Coy	-.21499	.19369	.873
Libyan Accountants in Libyan Coy	Libyan Managers in Libyan-Coy	.05822	.09960	.992

4.7.5 Bases of rewards

One-way ANOVA was conducted to examine whether there are statistically significant differences among the groups in terms of using budgets as a basis of rewards. A test of homogeneity of variances shows that the variances between groups are not equal (Levene's test =9.462, $p =0.000$). Therefore, Welch and Brown-Forsythe show that there are highly significant differences between groups ($F_{(5,324)} = 1.949, p=0.000$) (Table 4.57).

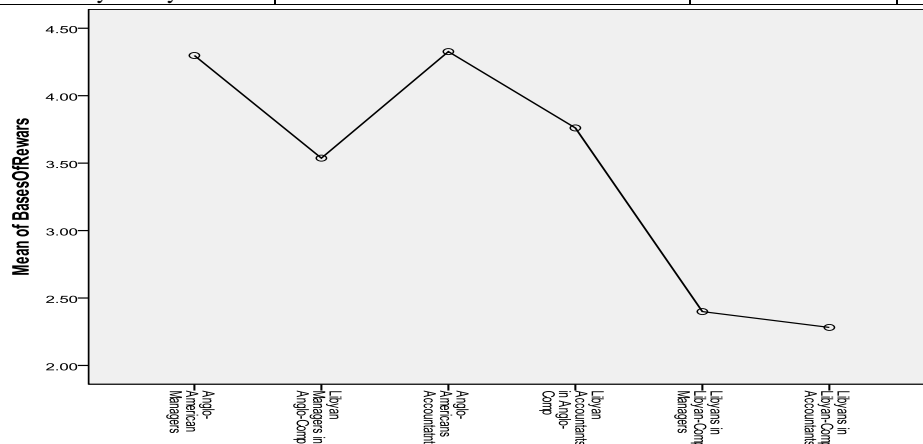
Table 4.57: ANOVA-slack of budget by cultural group for managers and accountants

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
9.462	5	324	.000	Welch	187.399	5	98.354	.000
				Brown-Forsythe	204.923	5	274.023	.000
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	5.343	5	1.069	1.949	.086			
Within Groups	177.605	324	.548					
Total	182.948	329						
Descriptive	N	Mean	Std. Deviation					
Anglo-American Managers	26	4.298	.346					
Libyan Managers in Anglo-Coy	27	3.537	.468					
Anglo-Americans Accountants	39	4.326	.402					
Libyan Accountants in Anglo-Coy	23	3.760	.266					
Libyans Managers in Libyan-Coy	82	2.399	.632					
Libyans Accountants in Libyan-Coy	133	2.282	.707					
Total	330	2.917	1.023					

Results from Games-Howell Pos-hoc test (Table 4.58) show a highly significant difference between managers and accountants in terms of the basis of rewards in their companies, except between Anglo-American managers ($M=4.29, SD=0.35$) and Anglo-American accountants ($4.32, SD=0.402$). Also there was no significant difference between Libyan managers in Anglo-American companies ($M=3.54, SD=0.47$) and Libyan accountants in Anglo-American companies ($M=3.76, SD=0.27$) (Figure 4.13).

Table 4.58: Games-Howell-bases of rewards by cultural group

(I) Games-Howell	(J) Comparisons among groups	Mean Difference (I-J)	Std. Error	Sig.
Anglo-American Managers	Libyan Managers in Anglo-Coy	.76104*	.11295	.000
	Anglo-Americans Accountants	-.02885	.09362	1.000
	Libyan Accountants in Anglo-Coy	.53721*	.08776	.000
	Libyan Managers in Libyan-Coy	1.89869*	.09742	.000
	Libyan Accountants in Libyan-Coy	2.01612*	.09155	.000
Libyan Managers in Anglo-Coy	Anglo-Americans Accountants	-.78989*	.11083	.000
	Libyan Accountants in Anglo-Coy	-.22383	.10593	.300
	Libyan Managers in Libyan-Coy	1.13765*	.11406	.000
	Libyans Accountants in Libyan-Coy	1.25508*	.10909	.000
Anglo-Americans Accountants	Libyan Accountants in Anglo-Coy	.56605*	.08502	.000
	Libyan Managers in Libyan-Coy	1.92753*	.09496	.000
	Libyan Accountants in Libyan-Coy	2.04497*	.08893	.000
Libyan Accountants in Anglo-Coy	Libyan Managers in Libyan-Coy	1.36148*	.08919	.000
	Libyan Accountants in Libyan-Coy	1.47891*	.08273	.000
Libyan Accountants in Libyan-Coy	Libyan Managers in Libyan-Coy	-.11744	.09292	.804

**Figure 4:13: Bases of rewards by cultural group for manager and accountants**

4.7.6 Using variances to evaluate performance

In order to examine whether there are statistically significant differences between managers and accountants in terms of using variances to evaluate performance, a one-way ANOVA was conducted. A test of homogeneity of variances shows that the variances between groups are equal (Levene's test = 1.906, $p = 0.093$). Therefore, ANOVA results show a highly significant differences between the groups ($F_{(5,324)} = 11.426, p = 0.000$). Welch and Brown-Forsythe tests also support the results (Table 4.59).

Table 4.59: ANOVA-actions towards variances for managers and accountants

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
1.906	5	324	.093	Welch	12.457	5	85.163	.000
				Brown-Forsythe	10.664	5	141.980	.000
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	27.417	5	5.483	11.426	.000			
Within Groups	155.485	324	.480					
Total	182.903	329						
Descriptive		N	Mean	Std. Deviation				
Anglo-American Managers		26	3.81	.606				
Libyan Managers in Anglo-Comp		27	3.41	.834				
Anglo-Americans Accountants		39	3.37	.598				
Libyan Accountants in Anglo-Comp		23	3.23	.864				
Libyans Managers in Libyan-Com		82	3.02	.597				
Libyans Accountants in Libyan-Comp		133	2.86	.723				
Total		330	3.11	.745				

Results from Scheffe Pos-hoc test (Table 4.60) show that there is a highly significant difference between Anglo-American managers ($M=3.81$, $SD=0.61$) and Libyan managers in Libyan companies (3.02 , $SD=0.59$). There is also a highly significant difference between Anglo-American managers ($M=3.81$, $SD=0.61$) and Libyan accountants in Libyan companies ($M=2.86$, $SD=0.72$). Results also show a highly significant difference between Libyan managers in Anglo-American companies ($M=3.41$, $SD=0.83$) and Libyan accountants in Libyan companies ($M=2.86$, $SD=0.72$). Similarly, there was a high difference found between Anglo-American accountants ($M=3.37$, $SD=0.59$) and Libyan accountants in Libyan companies ($M=2.86$, $SD=0.72$). No statistical differences were found between the rest of the groups (Figure 4.14).

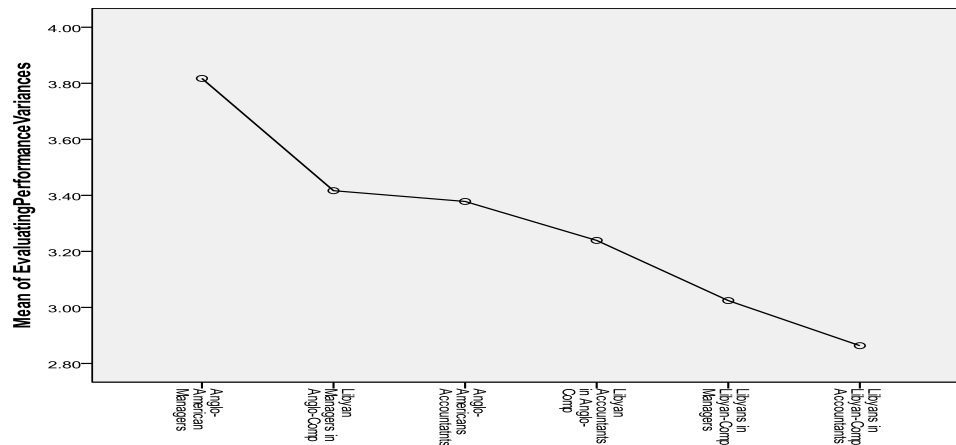


Figure 4:14: Using variances to evaluate performances by cultural group for managers and accountants

Table 4.60: Scheffe Post hoc analysis-using variances to evaluate performance

(I) Scheffe	(J) Comparisons among groups	Mean Difference (I-J)	Std. Error	Sig.
Anglo-American Managers	Libyan Managers in Anglo-Coy	.40064	.19035	.491
	Anglo-Americans Accountants	.43910	.17539	.284
	Libyan Accountants in Anglo-Coy	.57818	.19830	.134
	Libyan Managers in Libyan-Coy	.79292*	.15592	.000
	Libyan Accountants in Libyan-Coy	.95381*	.14855	.000
Libyan Managers in Anglo-Coy	Anglo-Americans Accountants	.03846	.17343	1.000
	Libyan Accountants in Anglo-Coy	.17754	.19657	.976
	Libyan Managers in Libyan-Coy	.39228	.15371	.262
	Libyans Accountants in Libyan-Coy	.55316*	.14623	.015
Anglo-Americans Accountants	Libyan Accountants in Anglo-Coy	.13907	.18213	.989
	Libyan Managers in Libyan-Coy	.35381	.13475	.232
	Libyan Accountants in Libyan-Coy	.51470*	.12615	.006
Libyan Accountants in Anglo-Coy	Libyan Managers in Libyan-Coy	.21474	.16345	.885
	Libyan Accountants in Libyan-Coy	.37563	.15644	.332
Libyan Accountants in Libyan Coy	Libyan Managers in Libyan-Coy	-.16089	.09727	.740

4.7.7 Actions towards variances

The same technique was used to examine whether there are statistically significant differences between the groups (managers and accountants) in terms of actions towards variances. A test of homogeneity of variances shows that the variances between groups are not equal (Levene's test =9.116, $p = 0.000$). Welch and Brown-Forsythe tests show highly significant differences between groups ($F_{(5,324)} = 536.874, p = 0.000$) (Table 4.61).

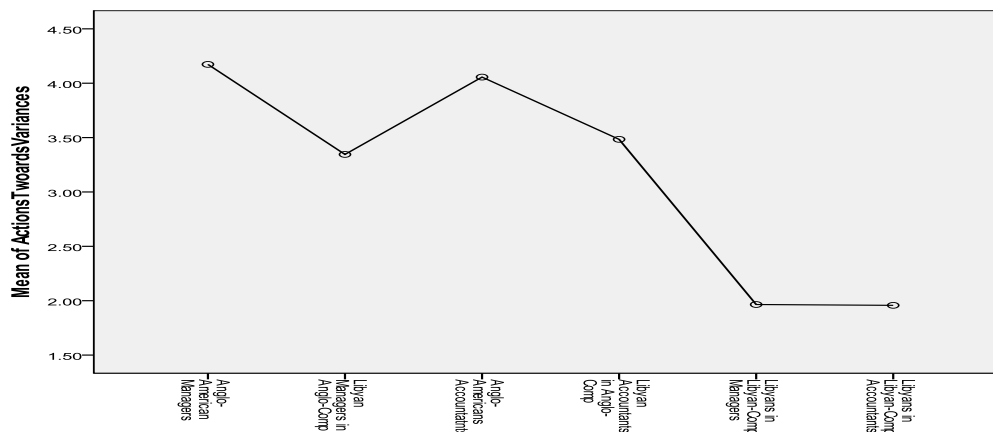
Table 4.61: ANOVA-actions towards variances

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic	df1	df2	Sig.
9.116	5	324	.000	Welch	447.490	5	84.272	.000
				Brown-Forsythe	450.426	5	138.267	.000
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	267.995	5	53.599	536.874	.000			
Within Groups	32.347	324	.100					
Total	300.342	329						
Descriptive		N	Mean	Std. Deviation				
Anglo-American Managers		26	4.17	.412				
Libyan Managers in Anglo-Coy		27	3.34	.213				
Anglo-Americans Accountants		39	4.05	.480				
Libyan Accountants in Anglo-Coy		23	3.483	.309				
Libyans Managers in Libyan-Coy		82	1.96	.285				
Libyans Accountants in Libyan-Coy		133	1.95	.267				
Total		330	2.60	.955				

Results from Games-Howell Pos-hoc test (Table 4.62) indicate to statistical difference between the groups in terms of actions towards budgets variances except between managers in Anglo-American companies ($M=4.17$, $SD=0.41$) and accountants in Anglo-American companies ($M=4.05$, $SD=0.48$) and between Libyan managers in Anglo-American companies ($M=3.34$, $SD=0.21$) and Libyan accountants in Anglo-American companies ($M=3.48$, $SD=0.31$). Between Libyan accountants in Libyan companies ($M=1.95$, $SD=0.27$) and Libyan managers in Libyan companies ($M=1.96$, $SD=0.28$) there was also no statistical difference (Figure 4.15).

Table 4.62: Games-Howell post hoc analysis-actions towards budget

(I) Games-Howell	(J) Comparisons among groups	Mean Difference (I-J)	Std. Error	Sig.
Anglo-American Managers	Libyan Managers in Anglo-Coy	.82792*	.09071	.000
	Anglo-Americans Accountants	.11681	.11164	.900
	Libyan Accountants in Anglo-Coy	.68938*	.10344	.000
	Libyan Managers in Libyan-Coy	2.20814*	.08681	.000
	Libyan Accountants in Libyan-Coy	2.21571*	.08414	.000
Libyan Managers in Anglo-Coy	Anglo-Americans Accountants	-.71111*	.08722	.000
	Libyan Accountants in Anglo-Coy	-.13854	.07644	.470
	Libyan Managers in Libyan-Coy	1.38022*	.05177	.000
	Libyans Accountants in Libyan-Coy	1.38779*	.04715	.000
Anglo-Americans Accountants	Libyan Accountants in Anglo-Coy	.57257*	.10039	.000
	Libyan Managers in Libyan-Coy	2.09132*	.08316	.000
	Libyan Accountants in Libyan-Coy	2.09890*	.08036	.000
Libyan Accountants in Anglo-Coy	Libyan Managers in Libyan-Coy	1.51876*	.07177	.000
	Libyan Accountants in Libyan-Coy	1.52633*	.06851	.000
Libyan Accountants in Libyan-Coy	Libyan Managers in Libyan-Coy	-.00757	.03913	1.000

**Figure 4:15: Actions towards variances by cultural group for managers and accountants**

4.8 Conclusions

The results based on the statistical analysis to test hypotheses H1, H2, H3, H7, H8, H9, and H10 that relate to research issue one are summarised in Table 4.58. The remaining hypotheses were not tested quantitatively (H4, H5, H6, and H11) and are addressed in the next chapter which is based upon qualitative analysis.

Table 4.58: Hypotheses and conclusions

<i>Hypothesis</i>	<i>conclusions</i>
H1 (participation)	supported
H2 (voice)	supported
H3 (explanation)	supported
H7 (slack)	Not supported
H8 (bases of rewards)	supported
H9 (performance by variances)	supported
H10 (action on variances)	supported

Chapter 5 : Qualitative analysis

Chapter 4 presented the results from the quantitative data gathered from questionnaires. The central research question of this study is “how and to what extent do societal cultural dimensions affect budgets and budgeting processes in Libyan and Anglo-American companies operating in the Libyan oil sector?” Subsequently, chapter 5 presents an interpretation of the qualitative data gathered from interviews. Qualitative data is used to triangulate the findings of the quantitative data analysis and address the hypotheses that have not been tested using quantitative data: the use of rolling budgets; using flexible or fixed budgets; using long or short-term budgets; and attitudes towards budgets. Furthermore, it examines how and to what extent societal culture dimensions influence budgets and the budgeting processes. In addition, qualitative data is used to answer research issue II, which examines the extent to which Libyan and Anglo-American employees are aware of the potential influence of culture in the budgeting process.

5.1 Triangulating the findings using quantitative methods

Thirty (30) interviews were conducted with participants in Libyan and Anglo-American companies. Twenty (20) interviews were conducted with participants in Libyan companies and conducted in Arabic, then translated into English. Ten (10) interviews were conducted with participants in Anglo-American companies, with English used for Anglo-Americans and Arabic for Libyans in Anglo-American companies.

Characteristics of participants in Libyan companies

Libyan participants numbered 1, 4, 6, 7, 8, 9, 10, 12, 13, 14 and 15 are from senior management and this chapter will refer to them as participants LLS. Participants numbered 2, 3, 5, 11, 16, 17, 18, 19 and 20 are from middle management and this chapter will refer to those participants as LLM. Due to confidentiality and anonymity assurances, details of participants cannot be divulged (King et al. 2010). The educational level of participants is at bachelor and master degree levels. The age of participants is between 35 and 59. Participants have been in employment with their current company for between 20 and 35 years and in their current positions for between 3 and 10 years. With the exception

of three participants, all participants have studied overseas mostly in the UK for a period of 1-3 years. All participants are males.

Characteristic of participants from Anglo-American companies

Participants numbered 1, 2, 3, 10 and 5 are Libyans working in Anglo-American companies and will be referred to as L-A. Participants numbered 4, 6, 7, 8 and 9 are Anglo-Americans and will be referred as A-A. Four Libyan participants are from middle management and one from senior management. Three Anglo-American participants are from senior management and two participants are from middle management; and all participants are aged between 37 and 55. The educational level of participants is at a bachelor or masters degree level. They have been in their current positions for less than five years (since Anglo-American companies reinvested in the Libyan oil sector). All participants are males.

The number of interviews conducted in Libyan companies is higher than in Anglo-American companies for two reasons. Firstly, in Anglo-American companies it has been difficult to conduct interviews with employees due mainly to their seniority. Secondly, the number of employees in Libyan companies exceeds those of Anglo-American companies. In terms of the ages of participants, Libyan employees are slightly older than their Anglo-Americans counterparts. While educational levels are similar, experiences are somewhat different. For instance, employees in Libyan companies worked in the oil industry even while sanctions were imposed. However, they do not have experiences working overseas. Contrastingly, employees in Anglo-American companies only commenced operations after sanctions were lifted by the UN and they have experience working overseas.

5.1.1 Participation, voice and explanation

Libyan views

It appears that budgets and budgeting processes in the Libyan oil sector are influenced by Anglo-American systems and Libyan culture as mentioned by Libyan participant LM20:

When this company was established the accounting system was designed by an experienced English accountant. He designed the whole system. Once the employees had got used to the new system and even when they had any problems or needed to change anything concerning budgeting and accounting, they still had to contact the office in England (LM 20).

Participants were asked about the roles of budget sections and budget committees in their companies. Budget sections and budget committees play important roles in preparing budgets. Participant LLS9 commented that “Yes there is a committee and budget section in the company responsible for preparing the budget and following it up”. Preparation of budgets in Libyan companies is monitored by National Oil Corporation-Libyan (NOCL). Companies prepare their budgets and submit them to NOCL for approval and NOCL continually cuts back companies’ budgets. Participant LLS1 commented: “When you are constrained by certain allowances it will not be a good plan or budget. It will be merely a routine we do every year”. In the same vein, participant number LLM2 stated, “There are several difficulties we encounter, for example, the allowances from NOCL for budgets are not enough”. Participant number LLS6 expressed his dissatisfaction about budgets and budgeting processes in his company because budgets in his company are sent to NOCL and are constantly cut down. Participant LLS1 also expressed his dissatisfaction about budgeting processes: “Always the budgets are cut down and rationalised by allowances we got from NOCL. It is impossible to get what we want or planned in our budget”.

There is a separation between oil companies’ revenues and their expenditures (budgets). Participant LLS14 from NOCL further explained that “There is a big meeting in the NOCL for studying and discussing every company alone and then they send the proposal of budgets to the Ministry of Treasury. And usually the allowances we asked for are reduced or limited by the Ministry”. He explained that allowances are not from NOCL, but from the government’s budget. He also stated, “We finance ourselves from the government not from oil industry or our revenues and sometimes we get loans from banks. We wait for the allowances from the government and that is usually not enough so we have to decrease budgets of companies”. In the same context, participant LLS15 commented:

The procedures to get the budget approved were cumbersome and that caused problems. The procedure started with the government (General National Assembly, and Ministry of Treasury). This meant that the financial year started without a budget, at it was not yet approved by NOCL because they had to wait for their allowances from the government. As a result implementing the budget was delayed... For NOCL the budget is usually never enough, but there is not much we can do about it; this makes the budget and the budgeting process pointless (LLS15).

Participant LLM18 stated that “The budget is usually cut down, sometimes we get 75% of our original budget then top management of the company will rationalise the budget

(spending less)". Participant LLM20 also stated that "It is usually because of the NOCL. I am not happy but we have to work with what we got".

The accounting and budgeting systems in the Libyan oil sector, as mentioned above, were developed by multinational companies predominantly from the USA and the UK. Thus, participation in budgeting processes in the Libyan oil sector might be higher than in other Libyan sectors. Budget sections start sending forms and documents for next year's budget to each company, providing them with last year's budget and the actual six months for the current year as guidance for forecasting next year. Participant LLM18 commented, "We prepare the budget from lowest levels then it comes back from the top [he means from NOCL] and we have to adjust our budget to fit or suit the allowances that we have got from NOCL". Then each department prepares its own budget and sends it back to the budget section. Participant LLM20 commented:

After all the budget sheets are returned, they are handed over to top management and they examine them. Then they call a general meeting with all the managers and there are extensive meetings at which every manager is asked about the figures and they are expected to explain them. They know the figures because they have already discussed them within their division and with both the coordinators and supervisors. This meeting is usually recorded (LLM20).

Furthermore, participant LLM2 remarked: "There is a meeting in the company including all departmental managers for discussing the final budget before sending it to NOCL for approval".

Participation in budgeting should include all managerial levels to accomplish an acceptable budget. If this is the case, managers will be positive towards budgets and they will work harder to achieve their budgets (Chong et al. 2002; Hofstede 1968). If not, it will lead to discouragement and create resentment between managerial levels (Weygandt et al. 2001; Yee et al. 2008). In Libyan companies, some employees participate in budgeting processes and some not. Participant LLS1 was asked if he allowed his employees to participate in budgeting processes and he responded, "Yes my employees participate in budgeting process". However, participant LLM2 expresses a different point of view, commenting:

Sometimes we have some difficulties to contact or communicate with some managers. Some I communicate with directly. And some do not accept that. So I have to contact my manager and my manger contacts them... Also some managers do not ask me directly. They ask my manager (LLM2).

Participation varied from one employee to another. Participant LLS4 stated that “Yes my supervisor ask me about my opinion when budget was being set and I participate fully with my manager in preparing budget related to my unit”. He added, “Yes we have a meeting and we discuss everything... But budgets are always cut down”. Similarly, participant LLM5 expressed his participation in the budgeting processes. He stated that “Yes he [his manager] lets me participate... I meet with him and we discuss about budgets. He listens to me and if he does not agree he will ask for reasons for my predictions”. In the same vein, participant LLS6 commented that “Yes he asks me and he listens to my suggestions and opinions because he cannot understand all the work. We meet with our manager individually and then collectively with all the section heads, supervisors and superintendents in our department to discuss the budgets”. Participant LLS7 commented that:

The participation is different because it starts with the coordinators and then the superintendents. When I meet with the coordinators because they know about the job better than me, then there is another meeting with superintendents and coordinators. Then there is another meeting... Yes of course they participate in budgeting; we prepare the budget together and they explain it to me. Then I have another meeting with top management of the company, including the financial department. This is why I need to know from my coordinators what the plan is about, and why we need it (LLS7).

The analysis shows that managers have a limited knowledge of budgets in every unit under their administration. Therefore, participation gives them the knowledge and information required to prepare their budgets. Participant LLS13 stated, “As a manager I do not have full knowledge about my budget so I allow my employees to participate in preparing our budget because they are more familiar with the budget than me”. In the same vein, employees are familiar with their work and they help their managers in budgeting processes. Participant LLM18 stated that he knows more than his manager about his job: “my manager does not know my job”, but he understands that his manager has different opinions and looks at the broader picture: “I consider something and he considers something else”. Participant LLS13 again commented, “We discuss and have free discussion but when it comes to the final decisions, they are taken from the top management”. Participant LLM16 observed: “Yes there is participation and when you participate with any employee that means you involve them in the responsibility”. Participant LLM2 remarked on participation stating that he was satisfied with the level of participation in budgeting processes adding, “Yes we participate in the budgeting process”.

However, participant LLM3 had a different approach in preparing a budget for his unit. He noted: “Usually as coordinator I prepare the budget without letting my employees participate in preparing the budget”. He explained his reason for this as: “Because I was in their position before. So I know what my unit needs. I also know their work so I do not need them to participate because my budget is clear”. When asked, participant LLM5 also expressed the same opinion about not allowing his employees to participate in preparing the budget. He elaborated by saying, “Not really because I know the work and I can do forecasting without asking them”. This view might stem from the Libyan culture where some people from a high social class consider it an embarrassment to ask people of a lower status for their views.

As participation is different from one employee to another it is also different from lowest levels of management to the highest levels. Participant LLS6 argued that participation at the lowest level was easier than participation at the same or higher level when he stated: “We contact formally with the same managerial level but sometimes we contact informally with the lowest managerial levels”. Similarly, participant LLM18 begged to differ when talking about participation in budgeting processes. He stated:

We participate in budgeting process but not all workers are involved, only those at the supervisory level: supervisors, heads of section, superintendents, and departmental managers. Employees do not participate in the budgeting process... Some managers were previously employees. They know what is going on because of the experiences they had before they were promoted to these positions. At the lower levels of management, participation is also low. Participation increases once you get to the upper managerial level (LLM18).

Participants were also asked about the explanation they receive concerning changes in their budgets. Their answers were similar. Participant LLS1 commented, “The only reason we receive explanation is that allowances from NOCL are not enough, for example, sometimes we could buy some items cheaper before prices go up”. However, he said that he still has a say in the meeting and he stated, “Yes we have open discussion in a friendly way. My manager provides me with reasons for his argument and his budgets and I listen to him”. When it comes to the right to make comments about budgets and budgeting system to top management, he said: “No there is nothing like that... I do not have the right to do that however, even if I do that they will listen but no action will be taken because they also do not have any say”. Similarly, participant LLM2 stated, “I do not have the right to send any suggestion about budget to the top management and I did not do that before”. Participant LLS4 also has the same view “No I never send any report

or comment about budgets or budgeting systems and management never asked me about it". Participant LLS1 accentuates this view: "No. We do not send any reports and we do not have that kind of reports".

When it comes to voice and say in budgeting processes, participant LLM19 stated, "Yes I am happy about his attitude [his manager]. He listens to me and respects my opinion and lets me talk frankly and honestly". Similarly, when asked if his manager consults him about budgets, whether he explains things related to budgets in his unit and whether he lets him voice and express himself clearly regarding budgets matters, he responded: "Yes he asks me and keeps me informed about the budgets in our department and we have open discussion regarding budgets. He will explain anything I need to know about budgets". Participant LLM5 also said that his manager explains things related to budgets. He stated "The answers I get usually are enough to a certain extent".

NOCL procedures to approve company's budgets make employees' participation in budgeting processes appear as "pseudo-participation" because although employees participate in preparing their budgets they will never receive what they recommend. Participant LLM3 stated that his manager allows him to voice his opinion and, thus, he receives all the information he needs. Nonetheless, reasons are not always related to managers but, rather, to the company's allowances from NOCL. Participants LLM3 further commented: "Budgets are always reduced and management keeps asking for a decrease in budgets all the time and keep telling us the budget should not exceed a certain amount". Participant LLM18 confirmed this view: "Any numbers in a budget should not go over 10% and we ask each unit to provide justifications for those increments that exceed 10%". Similarly, participant LLS8 explained that "There is a cut from our manager then from the management of the company. Next, the cut from NOCL will be around 35% from our budget every year". In the same vein, participant LLS15 stated, "Always, the year started and the budgets have not been approved yet from NOCL and the first three or four months of the year spending will be without budgets". In this regard participant LLS1 also noted that:

Usually budgets are cut without explanation from NOCL. We struggle as a result of these cuts because we have to adjust the figures to fit the allowances that we get from NOCL. We often have to postpone expenditure to the following year and move allowances from one line item to another, especially in sections or departments that did not implement their plan during that year... This is because there wasn't enough money from NOCL (LLS 1).

Participant LLS7 was also asked about explanations he received from his managers when the budget is finalized and he commented, “Not all the time actually. Most of the time budgets are reduced because of the policies of the NOCL”. And with regards to the reasons he received, his comment was: “To a certain extent, there are not enough reasons or justifications, especially reasons related to reduction in budgets according to NOCL”. Participant LLS14 also stated: “The justifications are usually due to lack of financial resources”. Participant LLM20 also expressed his dissatisfaction about the justifications he received when he said, “Usually the NOCL cuts down the budget without enough reasons or justifications”.

From earlier analysis, Libyans in Libyan companies show a certain level of participation in the budgeting process. In comparison with other Libyan industries, participation of employees in the budgeting processes in the oil industry might be the highest. However, this participation is significantly hindered by the tedious procedures required to obtain budget approval. Additionally, the involvement of NOCL in companies’ budgets and the resultant cut in budgets without adequate explanation or justification makes participation somewhat irrelevant; and merely makes budget preparation and submission a routine exercise that companies undertake annually. Participant LLM20 observed, “There is centralization in decision making and people cannot plan properly. Procedures are also very long and very complicated, cumbersome procedures. The bureaucracy is frustrating and delays the execution and implementation of budgets”.

Participant LLS7 provided further insights on the approval of his budgets. He explained that his budget was never approved as he planned, but was always reduced. He commented that not all the budgets will be approved; usually they are cut. He stated that “For me, with my experience I feel shamed and embarrassed when they cut my budgets down because I have been working here for a long time”. It might be part of the Libyan culture, but it appears that despite opinions being sought they are ignored by the company and participation is diminished. Thus, Libyans participate in the budgeting process, but only to a limited extent. Although their culture may let them perceive that they have a more active role in the oil company, they are in fact unhappy with their level of participation.

On the other hand, NOCL conducts the budget process without considering return on investment. Preparing a budget on an economic basis and taking a return on investment

(ROI) perspective does not seem to be the case for Libyan companies operating in the Libyan oil sector. This might be because of the cost of capital as these companies are funded by the Government. None of the participants mentioned the term 'return on investment'. Most of the time they mentioned 10 per cent increments on last year's budgets and allowances from NOCL. Employees do not prepare their budgets on an economic basis or financial foundations. Participants did not mention economic or financial reasons for changes in their budgets during the interviews. This could be also because of the influence on the Libya culture on socialist economics and politics which relies on the centralization of decision making. As can be seen, budgets preparation and approval are under NOCL authority. The post-communist Slovenian philosopher Zizek (2010) writes that China today is using a longer and deeper version of Lenin's new economic policy. In other words, a dialectical synthesis of capitalism and communism exists. The same applies in Libya.

Anglo-American view

The majority of Anglo-American oil companies disinvested from Libya after sanctions were imposed in 1992 by the UN and USA. In 2003 the UN lifted sanctions, which resulted in an increase in foreign investment in the oil sector and the re-investment by Anglo-American companies which were granted concessions (Otman 2008). This necessitated a better understanding of how cultural differences affect operations in general and budgets in particular. Interest has been expressed in the literature on understanding cultural impacts on the budgeting processes in both Libyan and Anglo-American companies operating in the Libyan oil sector. Participant L-A2 commented, "The nationality of our company is American. It was in Libya from 1960 and it went back after the sanctions; then it came back in 2005. Now we have about 80 employees".

Generally, budgets in Anglo-American companies are prepared by units and departments with a company general meeting determining the plan for the next year according to opportunities and activities available, and also in relation to their capital resources. Then every head of each unit or department meets with employees who deal with budgets for forecasting the next year's budget. Most companies have another meeting for all departments and units again to form and discuss their entire budgets before sending it for approval to partners and headquarters, as well as NOCL. Participant L-A5 stated, "Budgets get approved from partners firstly then from headquarters". Budgets are

prepared after analysis of the previous year's budgets and according to headquarters' instructions. Similarly, participant L-A2 stated: "We use the last year's budget as guidance for preparing the current budget and we follow the instructions of headquarters".

Participant A-A6 provided the following statement:

Yes, we start with the capital and how we want to spend it. Ourselves and head office look at every detail. We analyse what the business needs. At the end of October we start doing our budgets. We go to the technical people and the technical departments and we ask them what they need. We also look at the economics of the projects we are going to do, and then we make a plan. We also look at the projects we have and allocate money to the ones that generate the most profit. So the budgets for the year are set between the technical people, commercial people, and finance people together. And then we submit them to the head office and they look at the other projects that head office has and they decide which project gets the most money (A-A6).

Similarly participant A-A8 commented on the preparation of budgets and how they are approved:

We consider what our program is and what we want to do, using an activity based budget, including how much things will cost and how long they will take. We start by getting a preliminary estimate of these things. We get together, then we go back to the work program in the budget and send it back to headquarters and they do a review. At the same time and we go to the joint venture partners, we have meetings with them and discuss and sometimes change the budgets. These then both get approved by NOCL. After that, the budgets are approved here in Libya and by headquarters. At the end of October we get the final budget (A-A8).

However, participant A-A7 explained that the company prepares the budget in conjunction with head office. He explained that they prepared the budgets "from both directions". Head office worked on a "top down" basis, depending on expected cash flow and financial resources available. In Libya, his company worked at the project level on issues such as investments for the following year. At the end of the day they met "somewhere in the middle". They made one set of proposals and the head office came back with another and they "took it from there".

Participants were asked about participation in budgeting processes, with most of participants expressing their satisfaction with the level of participation in the budgeting processes. After asking participant L-A1 about participation, he explained that he participates with his employees in preparing budgets and also he participates with his manager. He commented, "Of course, because there are many projects and I cannot understand and be involved in all the parts of our work so I have to participate with

others. And we also participate with other units when we have joint work between our unit and their units”.

As documented by the quantitative tests and discussed in Chapter 4, participation of employees in budgeting processes in Anglo-American companies was higher than employees in Libyan companies. Participants A-A9 commented, “Yes I participate in the budget related to my work”. Similarly, participant L-A6 commented:

Yes we participate with the technical people who are responsible for the project as well as the economic people, and we submit it to management for review. So it is a bottom up process from the technical, finance, and economic people up to the top the layer of management for review (A-A6).

Participant L-A1 elaborated: “I work with my manager and then we divide the allowances according to the priority. There is a meeting with my manager and also the general manager”. Participant L-A2 was asked about his participation in budgets and his contribution in the budgeting process. He stated, “I participate in the budgeting process and I am happy with my participation”.

In terms of voice in the budgeting processes, voice implies speaking up and the opportunity for employees to express their opinions, views, grievances, and dissatisfaction with an organization regarding issues and problems related to a company’s procedures, outcomes, decisions, policies (Bies et al. 1988; Dundon et al. 2004; Klammer 1997; Lindquist 1995; Renard et al. 2003; Van Dyne et al. 2003). Voice includes employees’ participation; participative performance appraisal; open door policies; and opportunities to discuss and appeal decisions (Bies et al. 1988; De Cremer et al. 2008; Galang 1999; Magner et al. 2006; Renard et al. 2003; Tata 2005). It is very important for managers to understand that there are strong effects of voice on diversity of human responses and managerial issues (De Cremer et al. 2008; De Cremer et al. 2005; Van Dyne et al. 2003). To confirm the literature, employees were asked if they have any say in their budgets and budgeting processes. One of the participants, L-A2 responded: “I have the right to speak up and say my opinion in the meeting”. Similarly, participant A-A4 explained that managers and employees have the freedom to talk and express their thoughts and ideas about their budgets. When asked if he provides any comments about budgets to top management, participant L-A1 responded: “Before no, but in future maybe if I find anything beneficial”.

Explanation means communicating justifications and reasons for arriving at decisions to subordinates, including why particular feedback and inputs have not influenced and/or been incorporated into the final budget (Byrne et al. 2008; Libby 1999; Skarlicki et al. 1997). In this regard, participant A-A9 expressed that he has a say and receives explanations about budgets. Similarly, participant A-A7 commented: “I tell them the reasons. I see something they could not see. We tell them why we cut budgets down”. Participant A-A8 explained some of his strategies to allow employees to talk frankly and freely when he said: “My door is open. I use an open door policy to employees. I know to open myself to employees and build relationships with them and employees have realised that”. In the same vein, participant A-A5 commented not only on participation between managers and employees in his company, but also employees’ voice and explanation:

There is participation to a large extent and every section or unit participates with each other. There is discussion about the budgets’ items and every head of section is expected to understand and explain these items. This is the result of participating with his employees. He must also explain and justify these items to his employees as well. This creates satisfaction between both managers and employees (A-A5).

Participant L-A2 observed: “My managers listen to me. They explain their actions in response to the questions and inquiries we raised about the budget”. Participant A-A4 also remarked: “We have meetings to discuss and talk to managers of units about the effects if we did not have the budget this year or next year. We listen to their arguments and we have constructive discussions”. Similarly, participant A-A6 explained that his managers provide him with a sufficient explanation when the budget is reduced. He stated, “They will see the whole company and how much the proposal is; sometimes they will reduce it, whether it is capital reduction or they may tell you that you have to have 10% less people. But they always come back with alternatives about what to do”. These reasons are clear and related to and based upon business foundations. He added, “Yes they do tell you, about the capital economics of the project, or there are many projects, or the return on the project is not as good as others or needs to be”.

Regarding budgets reductions, participant L-A5 explained that if the budget is reasonable usually managers approve it and he said that they do not tend to change budgets. However, budgets are sometimes reduced by either the company or by headquarters because they have different strategies and objectives. In this vein, participant L-A5 stated:

Money is limited so we have to prioritize our tasks in the oil sector especially since the last financial crisis... We do not usually trim budgets but we may have to because of limited resources. Also, headquarters may not see the benefit of these budgets [for this financial year], so we postpone them until the following year (L-A5).

In both cases, reduction was of the results of limited resources or because the budgets were not seen to be as beneficial as they should be. In these instances, reasons and justifications will generally be provided to employees. The same participant L-A5 pointed out, "And we will get all the justifications from the headquarters and also we give our employees all the explanations and justifications for reducing budgets. We have a meeting and we discuss all these justifications and reasons". Likewise, participant A-A5 confirmed this view by saying, "The discussion takes place frankly and in a transparent way. And usually if we do not agree about budgets we will provide the reasons for that. And if it is a good plan we will do it the next year when we have the money". Participant A-A6 also expressed his satisfaction about the reasons he receives and reasons he provides to his employees when he admitted: "Yes, they are always happy about the reasons. You make the proposal and the management comes back with other proposals and feedback". Participant A-A8 concurred, "Yes we give them the reasons and we explain to them why". Furthermore, participant A-A9 stated:

Absolutely, yes we have open discussion and talk frankly and freely. If the budget is tight he [his manager] will explain to me that we have budget constraints and ask me what I think the priority should be next year. He will note my opinion and talk to his manager and come back to me. I give him my advice; he listens to and accepts what I have to say and considers it seriously (A-A9).

Participant A-A7 also expressed his satisfaction and regarding the justifications he receives from his manager he stated, "When there is a cut to the budget we reduce the activities. So we do less".

Although diminishing budgets in a business environment is normal practice, employees are usually unhappy when this occurs, even when provided with justifications and reasons. On this issue, participant A-A7 had a different viewpoint when asked about participation and the justifications given to employees when budgets are cut down or changed. He stated, "Not all employees are involved in preparing budgets". Similarly, when asked if all employees participate in the budgeting process, participant A-A8 responded, "Not all–But all heads of departments definitely get involved". In regard to whether employees receive justifications and reasons why budgets are reduced, the same

participant was asked if employees were happy about these reasons and justifications. He responded with a huge smile, “Oh, people are never happy when the budget is set. At the end of the day it is not about happiness or sadness. It is not family or government. It is a business”. Participant A-A8 was in smiling agreement concerning employees’ satisfaction about explanations they receive about budgets cuts, “No one is happy when the budget is set and cut down. But we always give the reasons why and we let them speak up; we have discussions and we talk about everything”. In the same vein, participant A-A7 was asked if he thinks that his employees are unhappy about budgets. When asked about motivating his staff, he responded:

However the budget turns out we still encourage the employees to achieve it. Whether we increase or decrease the budget we still encourage the employees to achieve it. We try to give them the reasons. We let them know this is a business, it’s not a family or a government or an institution. It is a business and business runs on money for any decision. If the company does not want to spend money then that is the company’s decision (A-A7).

Employees working in Anglo-American companies show different approaches and attitudes in budgeting processes in terms of participation. The decisions are based on discussions concerning return on investment (ROI) and prioritizing budgets based on business and economic foundations. Employees participate in budgets and have their say in budgets. Managers also provide their employees with adequate and sufficient reasons and justifications. Task prevails over relationship in individualistic societies; and the relationship between employer and employees is based on business in a labour market in masculine societies (Hofstede et al. 2005).

In contrast, in previous analysis participants in Libyan companies did not mention return on investment, and budgets are not economically directed or oriented. That might be because government still monitors the oil sector and also because NOCL tend to operate like a communist Soviet Union-style ministry, cutting budgets without sufficient reasons or justifications. Cultural differences also appear between the two company groups. The hierarchy in Libyan companies operating in the oil sector reflects the centralization of NOCL. On the other hand, centralization in Anglo-American companies is based on ROI. Therefore, if a company achieves its goals of obtaining a certain return on investment their budget will remain uncut. Participant LLM17 commented:

Western companies look for the profit but our companies do not look at profit. For example the differentiation between capital expenditures and revenue expenditures is not important for

Libyan companies but for Anglo-American companies is important for tax reasons. They consider the profit of every transaction, while for Libyans it is not important to the same extent (LLM17).

5.1.2 Use of long and short term, fixed/flexible and rolling budgets

Libyan view

Most participants confirmed that Libyan companies in the Libyan oil sector use fixed budgets and they plan their budgets for one year. In this regard, participant LLS1 stated: “We prepare budgets for one year and we conduct fixed budget”. Similarly, participants LLM2, LLS4, LLS6, LLM11, LLM18 and LLM20 confirmed that in their companies they use fixed one-year budgets. The budgets are prepared for one year because companies will gain approval of these budgets for just one year from NOCL. Therefore, they must comply with NOCL instructions. Participant LLS7 said: “The budget is prepared for one year according to the instructions from LONOC”. In the same vein, participant LLS15 stated: “We prepare the fixed budget; we do not prepare the flexible budget. Flexible budget I think it relates to companies working for other sectors”. Participant LLS7 believes that a flexible budget is difficult in the oil sector and explained that in his company they prepare a fixed budget and for one year. Also, he explained that a flexible budget requires separating fixed cost and variable cost—a concept that is difficult in the oil sector. Furthermore, he does not believe that employees can handle a flexible budget. Participant LLM2 stated: “We do not separate fixed cost and variable cost”.

In terms of rolling budgets, it is abundantly clear from the interviews with participants that Libyan companies do not use rolling budgets. These companies comply with NOCL instructions and they have difficulties getting budgets approved by NOCL more than once a year. However, most participants expressed their disagreement to the question about the use of rolling budgets. Some participants do not know what rolling budgets are because it is an accounting term and their companies do not use rolling budgets. Participant LLM2 stated: “We do not prepare rolling budgets in our company”. Similarly, participant LLS1 commented that they do not use rolling budgets and they plan just for one year. When asked the reason for this, he added “Because rolling budgets are difficult to prepare and to use and need awareness from employees and managers. We have a problem with one year budget in processing it and approving it”. Participant LLM5 also stated: “We do not conduct rolling budgets. We have a problem with budgets for one year. I think we are not

able to plan for three or five month during the year as it takes too much effort”. Participant LLM20 expressed a different view when he commented: “Rolling budget may work with companies that have commercial seasons”.

It can be concluded that Libyan companies prepare their budgets for the short term—one year. They use fixed budgets, not flexible budgets. Libyan companies prepare budgets for one year and none of these companies prepare or use rolling budgets.

Anglo-American view

In the Libyan oil sector, Anglo-American companies do not use flexible budgets. Most of the companies use fixed budgets—which may be specific to the oil and gas industry. In this regard, participant L-A2 declared, “We conduct fixed budget for one year”. Participant L-A3 also indicated that his company prepares budgets for one year. He stated: “We do not use flexible budgets but we use fixed budgets”. In the same vein, other participants confirmed that companies use fixed budgets and none of these Anglo-American companies use flexible budgets.

However, Anglo-American companies do differ in relation to the time period covered by budgets. Some companies plan for three years; and others plan for three years as forecasts for the future. Participant A-A7 said that his company prepares budgets for one year. However he stated: “We look for two years up; not a budget; it is just a guess. First year is a budget and the second and third years are just an estimate”. Similarly, participant A-A8 said: “We have a five year plan. This is broader based and costed roughly, because what you do today might be in future three or four years latter hence”. The formal budgets are usually prepared for one year, but companies still plan for three or four years in advance because of the changeable circumstances in the oil sector. Participant L-A10 observed: “We prepare the budget for one year and for three years then we amend the budget every year for one year. But the budgets we prepare for three years are just as predictions and draw a line for the future”.

Anglo-American companies also use rolling budgets to a certain extent. The use of rolling budgets in these companies is not formal. In other words they are not as formal as fixed budgets for the year as the rolling budgets are designed for control and as a guideline. Participant A-A3 commented: “We do not use rolling budgets formally but we do change our budgets every one month. When one month drops out we fix all the remained months

but informally”. However, participant L-A2 remarked: “We use rolling budgets but I am not familiar with how they use it because I am not an accountant”. Similarly, participant L-A5 stated: “Yes we prepare rolling budget but I am not familiar with it”. Participant A-A8 also said, “In some way yes we do monitor the cost. As we come along closer to the end of the year, we go on three months bases. It is not formally amended but financially it makes everybody aware of what it is going to be”. Participant A-A6 commented: “We reforecast once every three months. For example, after budgeting in October, we come to January. We start to spend in March. We have three months of actual. Instead of forecasting for 12 months we forecast for nine months. In June we take actual six months and forecast for six months, In September we take actual nine months and we forecast for three months”.

It can be concluded that Anglo-American companies operating in the oil sector prepare their budgets for the short term—one year. Some of these companies prepare their budget for more than one year but that is for planning purpose only. They also prepare fixed budgets, but they do not use flexible budgets. Anglo-American companies utilize rolling budgets informally.

5.1.3 Creating slack in budgets

Libyan view

Creating slack in budgets differs from company to company and also from one employee to another. However, in Libyan companies, the practice of creating slack in budgets is implemented to compensate for cuts in their budgets by NOCL. Participant LLS1 stated that slack in his company’s budget is a reaction by employees to compensate for limitations of allowances in their budgets and to the tedious procedures of reallocation of allowances from item to item. He also stated: “There is slack in the budget because what we plan will be cut down so we put some slack in budgets in order to offset any reduction. I do not blame anyone for these increments [slack]”. Similarly, slack is an accepted way to maintain face in dealing with uncertainty in Japanese companies (Yee et al. 2008).

Participants also were asked about the purpose of creating slack in their budgets. Participant LLM2 stated, “The slack here is to carry out and execute our job because it is difficult to do the work or execute the plan without money”. Participant LLM2 commented on the reasons behind creating slack in budgets declaring: “I do not think

slack should be used for the purpose of improving performance but there is a general perception that working with extra resources will be safer and better”. Participant LLS1 also said, “The purpose for that is to form part of the implement plan and also to offset the reduction of the budgets from NOCL”. Participant L-A3 said of slack: “It is allowed”. Similarly, participant LLM5 commented: “It is for performance of work not for the improving the performance because there is no relationship between the performance and budget”.

Participant LLM3 shares the views of both previous participants. He stressed: “Because there is increase in the prices and budgets will be reduced by management and NOCL so I have to do something to get what I want in my budget”. Some participants believe that the oil sector is different to other sectors. The oil sector is difficult to predict or forecast in because prices are unpredictable. Participant LLS4 commented:

Because of external factors such as the increase of prices I do create slack in my budget. Management allows increments up to 15%; it considers this a normal increment in to comparison to last year’s budget. It is difficult to forecast prices and expenditures in the oil sector because it is unpredictable (LLS4).

Similarly, participant LLS18 feels the oil industry has a different environment and conditions. He responded: “The oil sector is difficult to predict or forecast to the same extent as other sectors especially with the prices, work and expenditures being tangible and intangible”. Participant LLS16 also declared, “In the oil sector it is difficult to forecast or predict exactly for your budget for the next year but usually there are 10% increments. Management follows the slack and you have to provide reasonable justifications for these increments. Therefore there is no [excessive] slack”.

Participants LLM3, LLM5, LLM19, LLS10 and LLM20 had the same point of view about creating slack in their budgets and their companies accept a certain percent of slack in budgets. Increments from 10–15% on last year’s budget are acceptable, although sometimes the budget committee will ask for justifications and reasons for these increments. Participant LLM19 stated: “Last year’s budgets are used as a standard to limit the slack”. Similarly, participant LLS12 commented, “We have historical increments, 10 percent extra on last year’s budgets”. Participant LLS10 uses a different expression: “We use the previous year’s budgets as an indicator”. In the same vein, participant LLS15 explained that top management does not ask about the increments in budgets unless they exceed the previous year’s budgets by more than 15%. He stated: “management asks

about the amount in excess of this percent and the unit will be asked to provide justification for that". Participant LLM5 also responded to this question by saying: "We increase budgets as a precaution against the general unpredictable increments in prices and it is usually 15% over the previous year's budget".

Some employees look at slack from different point of view. They see slack as a game between employees and NOCL. Participant LLM18 commented, "I see slack as a game with the company because you will take certain amount of money from other unit or section". Participant LLS13 shares the same view: "There is no slack but usually it is a game with top management and NOCL as precaution to make budgets close to the reality". Similarly, participant LLM11 commented: "Even if there is a slack, reason behind that are as a precaution for reducing budgets from the top management". Participant LLS12 supported this view with his comment that "Slack is result of budgets reduction from NOCL". Libyan companies mostly add 10% to their previous year's budget and some consider it slack and some not. In this vein, participant LLS6 stated that "We do not create slack in our budget and we just add 15% to the previous year's budgets. It is considered a normal increment". He also commented: "There is no benefit or advantages from increasing or creating slack in budgets. There are instructions from the top management to limit or prohibit the slack in budget".

Some employees do not see any benefit from slack in budgets, with participant LLM3 commenting: "It is not good". The collective reasoning was that slack deprives other units from the resources. However, participant LLS14 has an interesting opinion about slack that differed from other participants: "Some workers are interested in getting big money even though they cannot spend it. They try to make their units or departments important by increasing their budgets". Participant LLS14 expressed his distaste for slack thus, "In my opinion slacks is a waste of the money and denies other units allowance".

Participant LLM17 disagreed and stated: "There is no slack in the oil sector. We use budgets for planning and sometimes we ask for a certain amount of money and we get less. The responsibility is on NOCL". Similarly, participant LLM11 stated: "There is no slack because the management tries to limit it". Participant LLM5 also supports the idea that there is no slack in their budgets: "We do not have slack because the company will check for that and blame the people who did that and we feel embarrassed about that". Similarly, participant LLM2 stated: "There are concerns about increments which are over

15%. As senior management we ask for justifications and reasons for these increments”. He also had a different view from other employees when he stated: “Some people use their relationship to create slack and approve it”. This contradicts participant LLS13 who thinks “... top management does not have any tools to discover the slack but you have to give justifications for it”. If the manager’s bonus is not directly related to budget attainment, then this removes one obvious reason for increasing slack opportunistically.

Anglo-American view

In Anglo-American companies tend to look at slack from a different point of view. They allocate a certain amount of money for the entire company in case of any shortfall. As the following statements attest, most participants call it contingency. Participant L-A 5 said, “We call it contingency”. Participant A-A 6 also said, “We do not have slack in our budgets we call it contingency”. Participant A-A 7 has a different name for it “We call it management reserve”. Participant L-A3 noted, “Our company does not encourage to create slack in the budget. The slack is not good”.

Anglo-Americans look at creating slack in their budget differently to that of Libyans. Participant L-A2 explained that they do not create slack when they increase budgets compared to the previous year’s budgets. He stated, “We do not increase budgets but we forecast what our expectations are and according to that we prepare our budgets. He accentuates this point by saying, “We do not have slack”. Participant A-A7 also argues that his company does not create slack in budgets by declaring “We do not do that, we do not have slack in the budget... We have certain money and we do not spend more than that. We look to the budget what it should be. We set the budget to be as it should be next year. We do not do slack the budget, no not allowed”.

Participant L-A1 also does not regard it as slack and supports this by saying, “We have a contingent amount, this amount. We use it in the case of unpredicted events or operations. If we do not use it we will post it to the next year”. Similarly, participant L-A5 commented that “Every year the company looks at the contingency... about 10 percent to cover any shortage in the allowances in our budgets”. He also said they do not create slack in their budgets, supported by the statement, “We do not have slack, we do not have planned slack; usually we create contingency because the expenditures in oil sector hard to predict”. Similarly, participant A-A6 from a different company shares that view. He

pointed out: “We call it contingency. There are some uncertainties what the budgets are. So you make 10 percent as contingency. When you do not know what will happen in the future, you will increase the slack”. In the Anglo-American content, the word “slack” now has negative connotations so a different word is used for the same concept. For Libyans, the word “slack” does not carry such negative connotations and so it can still be used. Similarly, the International Accounting Standard Board (IASB) in its IASB conceptual framework now regards the word “conservatism” as socially unacceptable; and has now been replaced with the word with “prudence”, but the concept the word denotes is the same (See IASB framework, paragraph 37).

It seems that uncertainty avoidance plays an important role in creating slack in budgets. When employees are uncertain or worried about the future they try to increase and create slack or contingency in their budgets. Participant A-A8 commented that “the contingency varies according to the scope. Usually it is very vague so we vary in that contingency”. Participant A-A6 also stated: “I look at slack because there is uncertainty. You do not know what will be in the future so you try to put some slack in the budget at least 10 or 15% as you get closer to budget your slack comes less and when your estimation is for a long time the slack will be bigger”. Participant L-A5 does understand that predictions in the oil sector are difficult, but he still wonders and asks about the reasons behind increments in budgets—evidenced by his statement that “we will investigate about the reasons behind these increments if they appear unreasonable... We know there are difficulties with predictions because of the changeable prices”. Participant A-A6 stated, “Sometimes as financial manager my job is to reduce the slack”.

However, participant A-A9 has a differing view about slack and relates it to honesty and to the company’s intentions:

The budget should be exact. If there is extra contingency, that is a good thing. We call it ‘contingency 10%’. But at the end of the day, if the management tells us their budget is tight, and there is no slack, I will accept that and move on. I do not know how many people do that in our company because I am a technical person. But if I did do that, it would be acceptable. Last year’s budget gives us an indication, as does the intention of management (A-A9).

Participant A-A8 explained that slack is needed, but so too is transparency. He stated: “I like a little bit of slack and we are transparent about it but no more than 10% ... As a representative of CEO I make sure we do not slack the budget and we usually go back to original budget, how it was”. In the same vein, participant A-A7 wants slack to be

available for the entire company and for high management level. He stated, “If we have slack it will be at the top level of management, not for individuals. I do not give it to any manager at all. If we have extra money it will be available for all the company at the top level”.

In Anglo-American companies, managers tend to create slack more than accountants. Participant A-A6 realizes this and points out that employees, especially engineers, do create slack in their budgets. When asked if they create slack budgets he commented, “Yes of course we do especially engineers as they realise that if the prices go up the cost of labours is higher than at first estimated”. He also added, “Especially engineers if they build something so they want it to be over budget”

In Anglo-American companies, creating slack in budgets is a different process than that of Libyan companies. Anglo-American companies tend to create less slack in their budgets because of shortage of resources. Companies allocate resources based on ROI and they try to be transparent about slack in their budgets. Management also provides instructions to reduce slack in budgets.

5.1.4 Bases of rewards

Libyan view

Libyan companies do not reward employees based on achieving their budget goals. Companies investigate variances and send reports about favourable and unfavourable variances at least every six months, but they never use it to reward or penalise employees. When asking participants as to whether they receive any rewards from achieving their budgets, they answered “No”. Participant LLM2 commented: “The company does not reward employees for achieving their budget and I am never rewarded for achieving my budget”. In the same vein, participant LLM3 said, “No, I never get rewarded for achieving my budget”. He also commented that budgets are never used in the rewards system or in promotion or in evaluating performance. He stated: “No! Promotion, rewards, and performance evaluation are not related or connected to budgets. I do not think budgets are a good way to evaluate my performance”. When asked why not, he replied: “I do not know but perhaps it is because of budgets are decided by the NOCL and management”. Similarly, participant LLS4 testified: “I never get rewarded or penalised by the variances of budget”. Participant LLM5 also stated, “My salary and promotion are not

related to budget and I never get rewarded for achieving my budget. My salary is fixed monthly and my promotion is unrelated to budgets and there are no monetary incentives related to budgets". Participant LLS7 cheerfully remarked, "Maybe we get rewards because we did not spend any money".

It is clear that budgets are not the bases of rewards in Libyan companies. Participant LLS6 said, "I never get anything related to budget" and when asked if he was penalised by not achieving budgetary targets he responded, "No never". His justification for that was "I think because the top management and/or NOCL constantly cut budgets. It is problematic for budgets that will not be the right standard to evaluate performance". Similarly, participant LLS13 stated, "I never receive any thanks or promotion because of budgets". Participant LLM17 commented likewise: "There are no rewards and punishment related to budgets. We discover the variances as an endeavour to limit these variances".

It is obvious that budgets are not the bases of rewards in Libyan oil companies. This might be related to Arabic management in developing countries where obedience and submissiveness is rewarded, while creativity and original thinking is condemned (Ali 1990). The rewards for Arabic managers seem to be given to managers who have power orientation and lack affiliation and achievement needs (Yasin et al. 1990). According to Hofstede (2005) rewards in such societies are based on equality and relationships prevail over work. The result here for Libyan companies is the same as Yee et al.'s (2008) finding for Japanese companies.

Anglo-American view

It is abundantly clear that Anglo-American companies use budgets as bases for rewards. In such societies rewards are based on equity, and their preference is for higher pay (Hofstede et al. 2005). However, it might be not easy to use budgets fully to reward employees because of the difficulty in attaining ideal budgets in the oil sector. Interviews revealed that most participants use different ways to express their opinions about using budgets as a basis for rewards. For example, participant L-A3 was asked if his company uses budgets to reward employees. He replied: "Yes but is not completely. But relatively". Similarly, participant L-A10 commented: "But is not the only standard. It is partly relatively". Participant A-A7 said: "When we evaluate performance budget is may

be from 20 to 25% of factors to evaluate performance”. He added, “We give bonuses to on the basis of that... Their bonuses will be affected by their budgets”. He explained that budgets are one component or element of the reward system; and also the company penalises significant budget variances. Participant A-A8 confirmed this statement when he observed, “Our salary is based on a performance element base, they get certain bonuses and budgets with that system is one part”. He also explained that, in his company, when employees achieve budget targets they receive bonuses.

Participant A-A9 explained, “The budget is one part because there will be many parts including evaluation of the performance. The budget is one part, health and safety is another part”. However, budgets do differ between Libyan and Anglo-American companies. However, participant A-A8 perceives budgets completely differently to Libyans in stating:

To my mind budget is an open ended thing. I consider budgets, the performance necessary to achieve the plan, including social performance, safety performance, environmental performance, technical performance. These are all linked to company strategy. And that gets reviewed during the year at least twice. Some people only care about expanding the budget. I think it is very narrow perspective (A-A 8).

Participant L-A2 commented:

Our company puts a high emphasis on achieving the budget. Every time you achieve this, you are appreciated create a good impression with the managers. At the very least you receive an email in recognition or appreciation... but my performance is only partly evaluated in budgetary terms.

5.1.5 Evaluating performance using variances and actions towards variances

Libyan view

Libyan companies report variances to management and compare actual budgets to planned budgets to identify variances. Participant LLS1 stated: “We prepare reports for controlling the budget and we compare the actual with the budget in order to know the favourable and unfavourable variances. We just pay attention to the big variances that affect the company’s profit”. There are different reporting mechanisms, with some companies preparing monthly while others prepare quarterly, half year, or annually. Some of these reports are submitted to NOCL, and others to top management. Participant LLS1 explained: “At the end of the year we have a report containing all the expenditures and we send it to the planning department from where it will be forwarded to NOCL and to other government control departments. Another report is dispatched to NOCL quarterly”.

Similarly, participant LLM2 emphasises that his company prepares different kinds of reports which compare between actual budgets and budget results to discover variances. He added, “Yes we do investigate the variances and prepare reports about variances quarterly and send them to NOCL...We explain all variances, favourable or unfavourable”. Participant LLS4 also stated: “The budget section sends reports every 3 months comparing between actual expenditures and budgets explaining the favourable and unfavourable variances”. Participant LLS6 noted: “Budget section and accounts management are responsible for controlling budgets so every three months we receive reports about comparing the actual results with the budgets and actually we get this report every 6 months. According to this report we give justifications for these variances”.

Budget action occurs when management attributes budgetary variances to a manager's area of responsibility (Collins et al. 1984). In relation to tracing variances to individuals or to groups, participants were asked if they trace these variances to individuals. The collective responses indicated that this was not the case but, rather, they trace it to groups. They explained that in the oil sector, they work as a team. Participant LLM20 stated, “In the oil sector work is different. We work as a team work. So most of the time, it is difficult to trace the variance to individuals”. Notwithstanding this view, it is difficult to trace the variances to individuals. Sometimes the favourable variances might be unfavourable because they might relate to inaccurate forecasting; and also sometimes the unfavourable variances might be favourable. Participant LLM2 declared: “We do not trace variances to individuals; we just send the report to the responsible department... requesting justifications for these variances”. He also mentioned that within the oil sector it is difficult to trace variances to individuals. In the same vein, participant LLS12 revealed: “We do not trace or pursue the variances to individuals because we do not do that. But we need to know the favourable variances to reallocate these favourable variances to other sections or departments. It is considered as extra resources. For unfavourable variances we send a letter to the department in general. We do not trace it to one person”. Another participant LLM3 explained: “We investigate the variance and usually the budget section will send us a report every 3 months in a form containing actual expenditures, budgets, and variances to units not to persons”. One of the unit's managers, LLS4, elaborated: “No just we receive the report and give them the reasons for these variances if it is unfavourable”.

In Libyan companies, variances are not traced to individuals but, rather, to units or departments. Participant LLM3 stated, “We have annual meeting to discuss the variances and give justification for these variances”. In response to a question as to whether they provide justification for the variances rather than identifying the person responsible for for these variances, his answer was “In the oil sector we work as team and it may be hard to know who is responsible for the variances. So we just ask for justifications and reasons to these variances”. Participant LLS7’s answer to a similar question was, “No we are dealing with units and departments not with individuals”. Participant LLM5 noted, “We do not trace the variances to individuals and we just try to find the justification and reasons behind this variance to send it back to the budget section”. Participant LLS6 commented, “We never trace the variances to individuals, just the unit. We discover the variances and we find the cause then we reply to the budget section by report that includes justifications”. In response to a question as to whether his manager uses budgets to evaluate him, he replied, “No. He does not evaluate me by my budget and I am never evaluated by budget”.

In Western cultures, feedback in the area of performance evaluation is confrontational, which is inappropriate for employees in developing countries where face-saving is regarded as more essential than learning from performance evaluation (Mendonca et al. 1996). Budget performance evaluation is when management uses budget variances in performance evaluation of individuals (Collins et al. 1984). Performance is unlikely to succeed if the culture does not readily see performance as important. Employees in Libyan companies do not use variances in evaluating performance. Participant LLS1 explained in clear terms:

No we do not consider the variances when evaluating performance. Performance evaluation does not reflect the variances in budgets or achieving budgets. There is no relationship between variances and performance evaluation and performance evaluation is not related to the budget... It might be because the company never gets what it needs and budgets are usually reduced. So we reallocate funds from section to section, and from item to item.

The findings indicate that there is no relationship between budgets and performance. Participant LLM2 was asked whether he considers budgets when evaluating employees’ performance. He replied: “We do not evaluate workers on the base of budget. There is no relationship between budgets and performance evaluation in our company. The company

does not reward employees for achieving their budget and I never get rewarded for achieving my budget”.

Participant LLS10 also confirmed his agreement that there is no relationship between budgets and performance when asked whether management considers budgets when evaluating his performance and employees’ performance. He replied, “I think there is no connection or relationship between budgets and performance”. Participant LLS15 commented, “There is no relationship between performance and budgets or variances, favourable or unfavourable because there were many obstacles concerning budgets and their approval”. Similarly, participant LLM16 stated, “There is no relationship between the budgets and performance evaluation. And also there is no relationship between budgets and rewards or promotions. There are no incentives or benefits related to budgets”. A similar answer was forthcoming from participant LLM5 who stated: “No. My performance is not related to budgets”; further added, “I do not see budgets as a part of my performance evaluation”. Only participant, LLS6, has a different view saying, “No. generally I do not use these reports to evaluate the performance of my employees but sometime I consider budgets as an indicator when I evaluate my employees”.

It might be suggested that Libyan companies compare actual budgets with planned budgets to identify variances. As Yee et al. (2008) find with Japanese companies, these variances are not used in evaluating employees’ performance. Also, these variances are neither used in rewarding employees if they are favourable, nor in penalising employees if they are unfavourable. Additionally, these variances are not traced to individuals in Libyan companies but, rather, to units or departments. Management also does not take any severe actions against individuals because of these variances.

Anglo-American view

Anglo-American companies identify variances differently—some monthly and others quarterly. One participant emphasises that his company discovers variances monthly. He L-A3 stated: “Every month we compare actual results with the budget to find out the favourable and unfavourable variances. Then we send these variances to every section in order to know the reasons behind these variances”. Participant A-A7 had a similar experience: “Yes we look for the variances every month, good or bad variances; at the end of the year we look at good or bad performance”. Most participants stated that they

discover the variance every 3 months and they rewarded for achieving their budgets". In this regard, participant L-A 5 confirmed this viewpoint with his statement: "Yes we discover and investigate the reasons behind the variances". Participant A-A6 was also asked about investigating variances in his company. He responded, "Yes, we track the actual cost to estimated cost and budget at the end of the project... We try to find why there are delays. When they run over budget we try to understand why".

In relation to tracing variances to individuals or groups, Anglo-American companies operating in the Libyan oil sector are, to a certain extent, similar to Libyan companies. Employees consider working in the oil sector as different because they work as a team, a view supported by participant L-A2 who declared, "No we do not trace variances to individuals because we concentrate on team-work. People in the oil industry usually work like a team so it is difficult to trace variances to individuals. However, if individuals make mistakes or they are responsible for the unfavourable variances they might affect their performance". He added, "If the variances are caused by negligence the person responsible will be penalised. But variances are unexpected in the oil industry because surrounding situations". Participant A-A9 also commented: "Sometimes my manager says we overspend, we have to stop now. We make sure we in budget, overspending in our budget is not good". Participant A-A6 said:

Yes we do, we use it for evaluating performance. It is very important for our budgeting process, especially now that money is very tight and difficult to get from the banks. But there are a lot of factors, not only on the budgeting side, but other issues. In head office they want to know every aspect of the projects in Libya... A lot of attention is paid to detail. The CEO of our company looks at every person and every dollar affecting the company's profit (A-A6).

Participant L-A5 also commented:

We work as a team work. We try to discover the variances—not to penalize workers, but to know the reasons why and to try and avoid them in future. We do not trace the variances back to individuals because it is difficult in the oil industry...we work as a team and with teamwork it is hard to trace variances back to individuals. For example one employee might do a good job, but he has unfavourable or favourable variances in his budget. That does not always indicate that his performance is good or not (L-A5).

Participant A-A9 offered a different opinion when he said, "Yes the big mistake will affect the person's performance rate badly".

Budgets variances are partly included in evaluation of employees' performance in Anglo-American companies. Participant A-A7 offered a clear explanation in this regard:

“When we evaluate performance budget is may be from 20 to 25% of the factors to evaluate budget. We take budgets into consideration when we evaluate the performance”. Participant A-A 9 also stated, “The budget is one part because there will be many parts including evaluate performance. The budget is one part”. Participant A-A7 said that variances have affected employees and they had been penalised as a result and their bonuses affected. Participant A-A8 explained that his company rewards employees for a good budget and performance. Similarly, participant L-A2 commented that evaluation of performance was partly related to achieving budget. Participant L-A5 responded by saying, “We use budget in evaluating the performance but not 100%”. The same participant elaborated further:

Over budget we consider it as problem, however in oil sector we cannot forecast 100 percent right but usually the increments maybe 10% and sometimes 50% we cannot predict in oil sector. The risk in oil sector is very high the expenditures we cannot predict or forecast it. From budget point view we use it as standard of evaluating performance but in oil sector unfavourable variances may be favourable variances and vice versa. So we consider budget when we evaluate performance but is not the only standard for evaluating performance. We learn from our mistakes in budget and try to avoid it in next year (L-A5).

In Anglo-American companies budgets are used partly to evaluate employees' performance and are also used to reward and penalise employees.

5.1.6 Attitude towards budgets

Libyan view

Participants were asked about their satisfaction levels in budgets and budgeting processes in their companies. Participants did not express their full satisfaction, but they are satisfied to a certain extent. Participant LLS1 was asked whether he is satisfied with budgets and budgeting processes in his company. He commented, “Yes to a certain extent comparing to other Libyan companies working in different industries. Although some of the disadvantages and problems with budgets and budgeting system I am satisfied to certain extent”. Participant LLM11 also stated, “Yes to certain extent I am satisfied with my budgets”. Similarly, participant LLM2 stated that “Yes to a certain extent”. When he asked why to a certain extent, he commented:

Because when we prepare the budgets we should execute at least 95% of it but we could not do that. There are several difficulties we encounter for example the allowances from NOCL is not enough, and we reallocate allowances from item to item and that need approval and justifications for doing that which take long time, and some managers are not able to plan or coordinate properly (LLM2).

Participant LLS4 offered a different opinion by expressing his dissatisfaction to budgets and budgeting processes in his company. The reasons behind his dissatisfaction were NOCL procedures and budgets always being cut down. Participant LLS6 provided a similar response: “Yes to a certain extent [why] because budgets relate to NOCL and always it cut down”.

Another participant was happy with his budgets and budgeting processes in his company. Participant LLS8 stated, “I am satisfied with my budgeting system in my company to a certain extent especially as these were designed by American”. Similarly, participant LLM19 commented, “I am satisfied with my budget 90% and improvement of budgets is always needed”.

However, some participants were not happy with their budgets and budgeting processes in their companies because of cumbersome procedures and budget cuts by the company and NOCL. Participant LLS9 was asked whether he is happy with his budgets and budgeting processes. He commented, “No I am not satisfied”. When asked why, he answered, “Because usually there is a difference between the estimations and actual work; they do not match each other. There is lack of experience from engineers responsible for budgets. Also there are difficulties to connect between the technical and financial aspects”. Participant LLM16 also answered, “No not really always you are constrained by limited recourses and regulations; also always there will be cut down to the budgets from top management and from NOCL about 35% each year”.

Budgets are comprehensive plans to help management in the process of planning, coordinating, organizing, and controlling. Some employees are unaware of the importance of budgets or their managerial functions. Additionally, some cannot plan and implement their budgets properly. Employees in companies operating in the Libyan oil sector are constrained by NOCL. However, tedious procedures in approving budgets or reallocating allowances from item to item impact on employees’ outlook in regard to budgets. Participant LLS1 does not consider budgets as an obstacle in implementing his work. However, he stated: “Budgets depend on the availability of allowances in order to prepare a good budget which reflects the right plan. However, when you are constrained by certain amount allowances it will not be a good plan. But budgets would be just a routine we do every year”. Participant LLM2 differentiates between senior management and middle and low levels in dealing with budgets. He stated that “There are some differences

between managers and employees in departments but management use budgets in planning and control purposes”. Similarly, participant LLM20 declared:

The top management emphasise on the importance of budgets and budgeting process as a tool in planning and controlling but at low level supervisors, superintendents, and coordinators are not all aware of the importance of budget. Some coordinators are not even able to plan right budgets for his unit. And there is a lack of dividing the budget during the year and some cannot run their budgets during the year. Some of the employees consider budget as a routine the company do every single year (LLM20).

Another problem is that non accountants do not have the required skill and experience to prepare budgets. Some managers cannot correctly estimate or forecast expenditures for a year; and others lack experiences in budgeting and cannot transform their ideas and thoughts into a written plan or budget. Participant LLS1 said: “Technical workers lack the ability to express their plans financially and when the budget is approved they cannot implement their plans”. This means that some managers do not have the ability or they do not know how to plan and budget, a view supported by participant LLS1 who said, “Some managers are also lacking the awareness of budgeting and budgeting processes”. Similarly, participant LLM20 stated that “Some coordinators and superintendants need courses about preparing budgets especially technical people”. Participant LLM17 stated, “Some technical workers think that budget is a financial matter therefore it is not related to them. That is what some employees think”. In the same vein, participant LLM3 stated, “but not all have same emphasis on the importance of budgets”. [why] “Because some consider budget as imposed from NOCL and there is no rewards of achieving budget so they see it as routine they do every year”. He also suggested that management should use budgets for evaluating performance and rewarding employees so it could be recognised as a critical managerial tool. He stated, “Management should reward workers and evaluate their performance regarding their budget so then workers will realise the importance of their budgets. Also some coordinators do not have the understanding of how to prepare budget and to plan for one year budget”.

Participant LLM5 also commented, “There are some people in the company lacking the understanding of budgets and their importance, especially technical people. They need courses about how to budget and how to plan”. Participant LLS7 expresses the view that “There is no experience about the budget from some workers; their experience in budgets and budgeting is lacking”. Participant LLM20 stated, “We prepare budgets but we do not implement these budgets properly because of the lack of experience and budgets and

budgeting ignorance from some employees. They do not know how to look at future or how to think of the future”. Similarly, participant LLS12 stated, “There are some workers who do not have the ability for forecasting and predicting close enough”. Participant LLM17 stated: “There are difficulties in the oil industry because of the difficulties of forecasting; you cannot anticipate what will happen and there are many expenditures go in vain and we lose a lot”.

The tedious and cumbersome procedures for approving budgets by NOCL make budgets and budgeting processes lose their significance in planning and controlling in Libyan companies operating in the oil sector. Participant LLS8 said, “The delays to approve budgets from NOCL lead companies to spend money without budgets”.

Although budgets are a very important tool for management they are time-consuming. Participants were asked about the time involved in preparing their budgets. Participant LLS1 stated, “Yes budgets take time, especially at the end of the year where the time is due to submit the final budgets to the top management we work hard even in my house I am working on it or think about it”. Participant LLS9 also struggled with budgets, stating: “Yes especially when workers do not estimate the right budgets and that leads to time consuming by asking to reallocate resources from section to section and that takes time and delays in carrying out the work”.

Accountants, especially heads of budget sections, spend a considerable amount of time preparing and revising budgets. However, managers have a different perspective, as demonstrated by participant LLS9 who commented: “I think about budget and it consumes time but I do not think about it in my home or outside the company”. Participant LLS13 stated, “It does not consume time and it is normal work”. Some participants do not have the understanding of the importance of budgets and consider budgets as an obstacle in implementing their work. Participant LLS15 commented: “When the time is due for budgets yes it takes time and lots of thought even out of working hours and even in prayer time”. Similarly, participant LLM 2 commented: “Yes it takes long time and need hard work to finish it. I work even in my home without compensation”. Participant LLS6 also commented, “I think budgets consume time because we reallocate resources from unit to unit and that take time because we need to ask for approval. It is routine and the activities happen again and again”. Participant LLS7 stated, “Budgets limit my freedom and ambitions”.

Some employees consider budgets as an obstacle in relation to carrying out their jobs, with participant LLM5 commenting, “No I consider budget as a plan and use it as guide to direct me and I prepared it according to my plan but the lack of allowances from NOCL make it difficult for me”. Participant LLS4 stated: “There is no benefit of budget and some workers need courses about budgets and budgeting process”. In this regard participant LLS6 responded:

It takes long time to be approved and usually we start the next year without budget because we did not get the approval so we will consider the last years as guidance to do the job. So what is the point for the budgets? And maybe management does not know how to plan for the future. They have lots of rules and regulations and people started to respect regulations and rules more than budgets as a plan (LLS6).

Relationships and friendships between employees may impact on budgets and budgeting processes, with some employees using their relationships to gain some extra resources for their units. In this regard, participants were asked about the rule of relationships in the Libyan oil industry. In this context, participant LLS12 commented: “The relationship is required between employees and the trust also required but there is a little influence of relationships in the oil industry compare to other Libyan industries”. Participant LLM20 commented: “There is no rule for the relationship and I have not seen that because the meeting is recorded and everyone will argue to get approval for his budget and there is serious discussion”. Participant LLM16 stated, “There is no way to obtain any approval according to the relationship”. Similarly, participant LLM15 commented, “There is no relationships that allow any increments in budgets”. However, Participant LLS13 expressed a different viewpoint by stating, “There is percent of the relationships and friendship also the trust and experience for who worked long time in the company”.

Libyan employees generally have a negative attitude towards budgets and budgeting processes because of the tedious and cumbersome procedures required to obtain budget approval from NOCL. Budgets are not prepared on the basis of ROI but, rather, are prepared according to NOCL’s requirements. Furthermore, this attitude is the result of budgets not being used in rewarding employees or evaluating performance.

Anglo-American view

Anglo-American participants were asked about their satisfaction regarding budgets and budgeting processes. Most participants expressed their satisfaction in their budgets and budgeting processes. Participant L-A5 stated, “Of course I am satisfied for the program

that prepared for it". Similarly, participants A-A7 answered, "Yes I am happy with it. It is fine". Participant A-A4 also commented: "Yes I am completely satisfied"; and participant A-A8 also stated: "Yes I am happy with it; I do not have an issue with it". It would appear Anglo-Americans are generally satisfied with budgets and budgeting processes while Libyans in Anglo-American companies expressed a different opinion. For example, participant L-A2 stated: "To a certain extent [why] because of the limitation of the resources from headquarters". Similarly, participant A-A1 stated: "Yes our budget is determined by our company and NOCL".

Employees realise that budgets preparation is a time-consuming but essential task in carrying out their work. Participant L-A3 stated, "Budgets are plan for executing my work". He also commented on the time factor when he said, "Yes big pressure and thoughts". Participant L-A5 also commented, "The work is budget and if you do not have budget you have no plan so it is not obstacle budget is program of your work. When the budget gets approved it facilitates the work and shows you what you will do". Participant A-A8 also sees the budget as a plan rather than an obstacle in the execution of his job. He stated, "No, it is a tool to do my job". In the same vein, participant A-A9 stated: "Every company have to do things in its financial capability. So you have to work on the budget you have planned. You cannot do any things you want. You have to do things in the budget that you have in your department and stay in the financial scope".

Anglo-Americans appear to have a positive attitude towards budgets and budgeting processes. They consider budgets as a plan and are satisfied with their budgets and budgeting processes. They work through budgets and the plan in conjunction with their head office based on return on investment and economic foundations.

5.2 Answering research issue II

The central research question of this study is "how and to what extent do societal cultural dimensions affect budgets and budgeting processes in Libyan and Anglo-American companies operating in the Libyan oil sector". The research issue two seeks to answer the question, "To what extent are Libyan and Anglo-American employees aware of the potential influence of culture on the budgeting process?" In order to answer the research issue two, this section addresses the proposition of this study "that Libyan and Anglo-

American employees are aware of the potential influence of cultural differences in their management practices when interacting with each other in the budgeting process”.

The most influential obstacle to harmony in organizational budgeting is often related to culture or, more specifically, cultural differences (Paláu 2001). This requires a greater understanding of cultural differences when communicating with individuals from different cultural backgrounds. Multinational companies often inadequately and inefficiently manage their human resources and managerial accounting because of culture, language, lack of understanding and communication between the headquarters and their subsidiaries. This results in inconsistent understanding and reaction by individuals to the same issues, behaviours, and problems (Noerreklit et al. 2000).

Context that affects interpretation by participants

The majority of Anglo-American oil companies disinvested from Libya after sanctions were imposed in 1992. After the UN lifted the sanctions in 2003 there was an increase in foreign investment in the oil sector and the re-investment by Anglo-American companies granted concessions (Otman 2008). This necessitated a greater understanding of how cultural differences affect operations in general and budgets and budgeting processes in particular.

It is important to remember that most Libyan oil companies were established by multinational companies or by involvement of multinational companies as financiers, partners or consultants. Libya was subjected to many imperialists which affected most Libyan business processes including accounting systems (Abouziied 2005). Thus aspects of budgets and budgeting processes were introduced by multinational companies which implied adoption of western accounting systems and practices, most particularly from the US and the UK, and the situation has not changed since then (Abouziied 2005).

US and UK accounting systems, principles and practices have influenced Libyan accounting systems considerably, including the teaching of accounting—with most accounting text books coming from these countries. Moreover, most of the staff who work in Libyan oil companies undertook their accounting courses in the UK.

However, these systems and courses have been affected by Libyan culture and its regulations. Culture does not stand alone but it has a great effect and influence on

accounting systems (Abouziied 2005). Culture, the political system, religion and social behaviours are just some of the substantive differences between Libyan and Anglo-American workers in the operational context of running a business and managing budgets and budgeting processes. Muslim, Arab and Bedouin beliefs and traditions embedded in Libyan culture are also contrary to Anglo-American culture with their different behaviours, political, economic and social systems (Ritchie et al. 2007; Vandewalle 1998).

Understanding culture is of paramount importance as it helps people to interpret and understand behaviours and words of other cultures, rather than being confined to their own interpretations based on their own cultures. In this regard, Middle-Eastern students studying literature in American schools initially interpret and understand literature according to their own culture. Therefore, educators will often teach a course in American culture to these students prior to teaching literature (Fathi 1968). The University of Southern Queensland (USQ) has a course (*Accounting and Society*) which helps international accounting students specifically to understand accounting within the context of Western culture and the Western European philosophical tradition. It appears that budgets and budgeting processes in the Libyan oil sector are influenced by Anglo-American systems and Libyan culture.

5.2.1 Awareness of the potential influence of cultural differences between Libyan and Anglo-American employees in the budgeting process

The following analyses are from Libyan and Anglo-American participants working in Anglo-American companies operating in the Libyan oil sector. Participants 1, 2, 3, 5 and 10 are Libyan and will be referred to as (L-A) and participants 4, 6, 7, 8 and 9 are Anglo-Americans and will be referred to as (A-A). Due to confidentiality and anonymity assurance, details of participants cannot be divulged (King et al. 2010). Three Libyan participants are from middle management and one from senior management. Three Anglo-American participants are from senior management and two participants are from middle management. The age of participants is between 37 and 55. The educational level of the participants is at Bachelor or Masters degree level.

Libyan view

The awareness of employees working in the Libyan oil sector has been raised by the experience of working a long time in the oil sector with overseas workers. Moreover, the importance of the oil sector as a main source of revenue makes Government pay lots of attention to this sector. The positive incentives and advantages of working in the oil sector are obvious to most workers. Nevertheless, Libyan culture influences workers working in the sector due to their everyday life, family, school and society. According to the psychologist Sigmund Freud, these early childhood Libyan socialisation influences become permanently embedded as the superego voice (Freud 1960; Freud et al. 1962; James 2009; Vandewalle 1998).

Overall, Libyan workers working in Anglo-American companies have a positive attitude to working for these firms. In asking the Libyan participants if they were happy working in Anglo-American companies and with Anglo-Americans, all of them expressed their satisfaction and happiness working in Anglo-American companies and with Anglo-Americans. Participants L-A1, L-A2, L-A3 and L-A5 said that they were content, while participant L-A2 said he preferred to work in Anglo-American companies because of the rewards and incentives for meeting work targets. However, before commencing employment in these companies, Libyan workers do not undertake any courses in cultural differences which could help them cope with working with people from different cultures. So, when the question was asked if participants had taken any courses about cultural difference before starting work in foreign companies, their answers were negative: "No, we did not take any courses". However, participant L-A1 studied for three years in the UK, participant L-A2 worked in an Italian company for 22 years, and participant L-A3 and L-A5 worked in Anglo-American companies before working for their current employers. It can be argued that working in an Italian culture will not help very much when working in Anglo-American companies because these two cultures differ to some extent although both are staunchly Christian. Experiences working with a different culture may assist and enlighten workers about how to work in differing environments and with different cultures.

It appears that there are differences between working in Libyan companies as opposed to Anglo-American companies. Although the work is similar, the approach to and the

execution of the work are both different. Time has low value in Libyan culture which has a negative impact on Libyan employees (Agnaiia 1997). Participant L-A1 said:

At the beginning, there were difficulties starting your job on time, regarding the commitment to starting work, and when you finish work. Also you have to work hard because we have to meet the deadline for the project. You have to work well with lots of efforts to achieve your budget... In the interviews, before starting work, if you are not good at your field of specialist area they will not accept you (L-A1).

It might be difficult for some Libyans to work in Anglo-American companies that expect hard work and high achievement. This view is supported by participant L-A2 who commented:

If your work is good and you try to develop yourself then there is no difference. The work is similar but there are differences in the system and organizing the work, salary system, and promotions... Anglo-American employees respect the work more than we do because there is a separation between the work and social and personal relationships (L-A2).

Also, there are differences in experience, knowledge and language which Anglo-American companies try to overcome by providing courses and training programs for their Libyan employees. Libyan employees working in Anglo-American companies realised and understood these differences when working with their Anglo-American peers. Participant L-A3 explained that Anglo-American companies try to improve workers' English language and offer other many specialised programs. This was confirmed by participant L-A2 from another company who commented, "The company offers courses for its employees to increase their experience; for example with computers and some other programs that include the English language. The supervisors help employees and send them for course if they see any lack of experience". Libyan employees realise that their companies upgrade their skills in different ways. Participant L-A1 said that "our company provides many things to make sure that employees understand its objectives and regulations by emails and online notices and papers usually distributed to employees explaining the regulations introduction to the company and its culture and concepts that are important to work".

When asking about the differences between Libyans and Anglo-Americans in terms of their religion, no-one raised issues relating to religion in the workplace. Participant L-A1 commented, "We have respect for each other especially in the month of Ramadan. They understand religious importance. We leave the company early; we have not encountered

any problems” and he commented further saying, “I went to headquarters to our company and I found a place to pray... they respect and understand different cultures so they have respect for all people they work with”. Religion does not present any issue in the workplace for either Libyans or Anglo-Americans operating in the Libyan oil sector. This was supported by participant L-A2 who said, “There is a full respect of our traditions and religion from the Americans and we do not have any problems”.

There is an awareness of cultural differences by Libyan employees who previously worked in Anglo-American companies before their current employer. One of the participants L-A2 expresses this in a clear way when he said:

As Libyan employees we do not like the negative notices and direct feedback that show our weakness and we consider it as insulting and shameful for us at the beginning. We do not separate between the work and the personal relationships. Also we do not like the direct feedback or negative notices in front of others especially other employees. Also there is a gap in the experience... The interaction between the two cultures is inevitable and it is a good thing to work with different culture. We can still benefit from their experience and adopt good features or characteristics. Also develop our characteristics and get to know the weaknesses that we had (L-A2).

Moreover, not all cultural differences do affect the workplace because some of these differences are normal, even in one culture, as participant L-A3 explained

Even in the same culture there are obvious differences, despite the harmony in religion and language, these differences remain obvious and manifest. I think any company should take into its consideration the host culture and should know about the customs and traditions. Especially those that are related to job and those that help carrying out the work. Some of traditions and customs did not manifest in the work but some do manifest. For example Libyans prefer to work even in the holidays to offset the work that they lost during the working hours. While Anglo-Americans prefer working during the work hours and they separate between the work and holidays (L-A3).

The differences between cultures are clear but these can occur even within the same culture. For example, Libya has an Arabic culture but still has its own distinct national culture when compared to other Arabic cultures or countries. Participant L-A1 said, “I have worked in the National Oil Corporation and it is same work but we may have lots of relationships because we need that in order to get some help for the work but here [he means Anglo-American companies] there is no relationships, you just do your work because you do not need it to perform your work”. Despite the fact that there are many similarities, differences still manifest in the workplace as participant L-A5 commented:

Even Libyan culture different to Arabic culture, despite the fact that we are Arabic we still have our own Libyan culture which differs from other Arabic cultures... working with different cultures is not a problem but understanding these differences will assist in managing better. I am working here in Anglo-American company with my traditional culture. And they work with their culture. But there is also a mixture between the two cultures. We learn from each other, because we work with each other long hours and they often involve with people in the street. You cannot work by yourself in oil sector. We work as a team and you cannot close yourself off and be isolated because it is work every day. I cannot work by myself and even the managers cannot work by themselves. When we come to work I come with clear head and fresh mind without any bias or even think about the cultural differences and we work together to achieve the same objectives which achieve company's goals. But I think there should be acceptance from both side; you accept his culture and he accept yours (L-A5).

With the differences between cultures, understanding these differences and adjusting to both cultures facilitates and assists workers dealing with and managing each other. Although the Libyan employees had brief experiences working in Anglo-American companies (less than five years), it seems that Libyan workers recognise these differences and try to adjust themselves to these differences. Participant L-A2 said, "The employees should adjust their behaviour to comply with the company. However the changes and adjustment should take place from both sides, employees from local culture and employees from an overseas company".

Anglo-American view

There is a difference between Libyan and Anglo-American workers in terms of their experiences. When participants were asked about their experiences working in different cultures and different countries, most indicated they had experience working in foreign cultures—in some cases, in at least three countries with some of them having worked in more than five cultures. For example, participant A-A7 said: "Yes I worked in Holland, UK, Thailand, Indonesia, Vietnam, Bangladesh, and Canada. Now I am working in Libya".

Anglo-American companies employ workers from their own cultures and also from other cultures because of their experience. However, many workers will be employed from the host country. One of the reasons why the multinational companies have employees from the host country is to give opportunities to local people to obtain employment and to train them. Participant A-A8 commented, "We have to employ people from the host country

that is a part of the business... We train people in different programs and we try to improve their English and it is getting better all the time”.

Working in different cultures is beneficial for workers in multinational companies. It gives them the ability to understand how to work with different people in foreign countries or different companies. However, differences manifest even in one country across different companies. Participant A-A6 commented on working in different culture and different companies, and he said, “It is different from company to company. In some companies you are responsible for the project you are managing. In some companies you need lots of details to have your budget approved. Culture of the company I think is different as well”. Anglo-American participants have positive attitudes about working with Libyan workers. They articulated their positive attitudes to their Libyan peers. Participant A-A6 commented that “There is something good about working in a different culture, you learn about them. Just makes you realise we are all the same. For me personally it is a fantastic experience”. Participant A-A9 stated, “We are open and easy going so all people working here enjoys working at our company because we are people. We treat them with respect, the same for our nationality and other nationalities”.

Some communication problems inevitably arise between headquarters and subsidiaries due to the headquarters’ lack of understanding to the background and national values of individuals in host countries (Noerreklit et al. 2000). However, working with locals is useful because it helps in dealing with other locals who do not interact with the company continuously. Participant A-A7 stated, “I have no problem [working with Libyans]...The problem comes if people from headquarters do not know the work that is the problem. How to manage the people and how the process is understood! [In Libya]”. In the same vein, participant A-A6 explained that he does not have problem working with different people from foreign countries if they willing to work and understand what the company needs. He stated:

I have problems with the people from [the head office] that are from same culture because they do not understand Libya environment... They do not know how the projects work in Libya... For example how tax works in Libya. While Libyan people I work with helped me because they understand the law and tax. They make my job easier. The difficulties are with head office. They do not understand the environment here (A-A6).

Anglo-American workers are aware of the potential differences between them and their Libyan peers. Programs on cultural differences were provided to Anglo-American

workers before they started working in Libya to make the workers aware of cultural differences. Providing courses for cultural awareness to employees who are going to work in different cultures would be useful. Participant A-A9 commented, “Before you go to a country you should have an idea about that country, and what it looks like”. Participant A-A4 also stated, “Courses can give advance information, and advice if you want to come or not. You have to adjust yourself to the culture”. Participant A-A8 also commented, “People should know about culture before working in that country. We send people to Libya before they start working in Libya. They have to see for themselves. We give them courses to make them aware of different behaviours, I had the course”. Participant A-A9 also took the cultural awareness course before coming to Libya and he stated:

Yes, we had classes in our country before we came to Libya. These classes were provided by an Arabic woman. We had the culture awareness program for three days. It was all about understanding the differences, things like not dressing in certain way, not getting angry with someone in front of his colleagues because it is a shock for him, as people are sensitive (A-A9).

Working in different environments or different cultures entails and encompasses experience and considerations for local workers. Consideration and understanding of local culture makes your job easier because different people have different understanding and different interpretations of different events or behaviours. Some people are mono-cultural and they find it hard to work in different environments or cultures; others are multicultural people who like to work in different environments or cultures. When asked if he had any difficulties working with Libyans, participant A-A9 stated:

It depends on the individual. Some have the ability to work in different cultures some not, some people are able to work everywhere. It takes a while before you understand why people think in the way they do in that culture, why do they act in that way, and why they do not think in the way we come from (A-A9).

It would appear that people who expose themselves to different cultures will perform better. This finding is supported by the comments of participant A-A6 who said: “I have worked in different cultures and I adjust myself very quickly to the host country. If you know the differences you know how to work with the differences, you can achieve something”. Similarly, participant A-A7 stated: “Because I have lots of experience I expect what will work and what not, but to understand how people work here is very difficult. Sometimes it is easy, sometimes it is not”.

It can be argued that, in order to survive and co-exist with the local workers and accomplish their objectives in the long run, multinational companies need to understand the culture of the host country and adjust themselves to cope and manage better. Participant A-A8 commented, “Of course the business in Libya is very different. What should people know before they come to Libya? People should know about Libyan culture before starting work in here”.

Communication between management and employees plays an important role in achieving a company’s goals (Thomas et al. 2009). This presents a challenge to multinational companies who should expose their employees to the host culture before starting work in that country. Within oil companies, interaction with culture is inevitable because companies have subsidiaries in different cultures and employees might transfer from one country to another. Participant A-A7 stated, “You have to be open to differences everywhere you go. It would be different from where you come from, or where you came from before. Culture and business will always be different, but you have to be okay with that, it is okay to be different and you have to learn from the differences”.

In other words, it is important to understand workers’ culture in the host country: the way they think, the way they understand business, and how to motivate them in order to manage them effectively (Noerrekli et al. 2000). Participant A-A9 commented, “We try hard to explain and make sure that the person understands, to say it in front another person who speaks better English or say it twice in different ways or with different words”. Participant A-A6 added:

If you do not interact with people in the host country by greeting and being friendly, you make your job harder, because you do not understand how to work. I have a good relationship with people working for me and with me that makes my job easier. The problem is with getting head office to understand how to do work with or in Libya to understand these challenges. We have problem with head office. They do not have the experience with host country which differs from their own culture (A-A6).

In the same vein, workers from a host country who are willing to work in multinational companies should understand the culture of these companies they are working with or in. Libyans who work in Anglo-American companies should also undertake programs about cultural awareness to cope with working with the different cultures. Participant A-A7 supported this view by saying, “Even the host country employees who work in a foreign

company should have an awareness program, how we think and how do we work, it would be useful”.

5.2.2 Cultural differences between Libyan and Anglo-American employees

As mentioned above, having the experience, courses and a willingness to adjust to the host culture and working in different environments and cultures helps better manage cultural differences. Participant A-A4 stated, “I came to England a long time ago. That was first the time I had to adjust myself. I was prepared for it. If you go to another country you have to adjust yourself”. Participant A-A6 also commented: “I have worked in different cultures and I adjust myself very quickly to the host country. If you know the differences you know how to work with the differences and you can achieve something”. Similarly, participant A-A7 said, “You always have to adjust to a host culture. You have to adapt. Countries do not change easily”.

One of the challenges facing people who work internationally is communication and understanding issues (Noerreklit et al. 2000). Language will hamper and impair communication if the sender does not make sure she/he receives feedback telling her/him that her/his message has been understood. Participant A-A6 commented: “Other challenges are with language. You have to work hard to make sure people understand you. Ask for help to translate or write it down. To make sure, work harder, explain maybe twice instead of once to ensure they understand what you are talking about”. Although most Libyan workers speak English, the language still needs to be explained. Participant A-A9 explained that most workers speak English and they understand him. He elaborated by saying:

If they do not understand I will repeat it twice and in a different way. Just know you should not speak very quickly; you have to be aware of these things. It is not often that workers will say they do not understand you because they might feel shy to say we do not understand... They say, I understand but sometimes you have to test it to make sure that they do understand. Sometimes you have to write a letter to make sure everything or everyone understand everything... If you did not write it down maybe you think they understand but maybe not, or may understand two different things. Simple clear, say it twice, write a letter (A-A9).

Participant A-A8 stated: “we try hard to explain and make sure that the person understands, to say it in front of another person who speaks better English or say it twice in different ways or with different words”.

The way Libyan workers run their business and the way they think of business is different to Anglo-American workers. The mentality of both cultures is different. Libyan workers obtain jobs from the Government, which guarantees workers employment with the Government until they retire, while Anglo-American workers obtain their jobs based on their experience, qualifications and the company's needs. According to Hofstede (2005) Libya is a feminine society and in these societies the dominant value is caring for others and preservation of relationships and thus people often prefer to work fewer hours. Participant A-A4 offered the following insight:

At an administrative level non-technical workers are difficult to deal with; they do not understand and they are not educated but they work here because of their nationality because they are Libyan not because of their abilities. They think it's easy to work without qualifications... They have poor interpretation of the policies even though you explain to them they will still stick to their own interpretation of these policies. Workers at an administrative level stick to regulations and policies regardless of the importance of work (A-A4).

Participant A-A 9 stated, "We direct business generally differently. We are more driven by making money for the company". Anglo-American companies are regarded as masculine societies where the dominant values in society are material success and progress (Hofstede et al. 2005). Libyans undertake any type of training to progress quickly for the purpose of monetary rewards and tend to work permanently for the Government. The same participant believes that the mentality of Libyans and Anglo-Americans in terms of managing their business and their objectives in business is different. He elaborated:

I do not think people here do understand what money they can spend and what money they cannot spend. They do not have the same scope in terms of what money means to what we can do in business. Some people here think it is endless money where they can take anything. Because it is an oil country it has a lot of cash and the people do not realise the company runs with certain amounts of money. The company does not have an endless supply of money. Some people just do not understand that. They think it is an oil company and has lots of money. No company operates like that. You have to operate within what a company can give you or within a confined budget, each year to achieve what the objectives are. You have to have objectives in your budget. You cannot have objectives above what your budget can deliver (A-A9).

In a similar vein, participant A-A7 stated:

Libyan employees do not understand the way Anglo American companies work, how we make decisions, why we do things, and the way we do things. We invest money and we expect returns on that. Investing money is different. Libyans want to spend money here and there... The mentality is different. Many employees do not understand the

way we think and the way we work. We invest a certain amount of money and we expect a certain amount of return on that money all based on profitability and financial ability. Many of them do not understand that (A-A7).

There are differences between the two cultures and there is a clear awareness from Anglo-American workers about cultural differences and the way business is conducted in Libya. Communism or socialism, when it exists for an extended time period, changes the nature of social relationships and social expectations (Zinoviev 1984). These become embedded and very difficult to change. As Serbia in the 1990s illustrates, the most likely path for a communist country when it departs from communism is in the direction of authoritarian nationalism (Stevanovic 2004). Libya retains a strong socialist influence in its culture and social relationships. Participant A-A6 commented on this aspect as follows:

The problem with the Libyan oil sector is with budgets. Their budget is not based on business. Investment is based on Government, is not investment, and how much money they will give to oil companies. Budget runs on investment and is based on return. Here it is based on Government. In other countries it is still run like a business. It is not the case in Libya (A-A6).

Cultural differences are manifested in the way workers deal with each other. Traditions and behaviours that prevail in the society might prevail in the workplace where the interaction takes place between the cultures. Some Libyan workers' behaviours are different and do not make sense to Anglo-American workers. Participant A-A6 stated that "Libyans communicate more indirectly and they are more sensitive. In Anglo-American companies, people talk directly". He also considers Libyans to be sensitive as he stated, "So you have to make sure that they understand what you are talking about". Anglo-American workers are aware of these cultural differences and try to cope with them. Participant A-A8 said: "My door is open, I use an open door policy to employees; I know to open myself to employees and build relationships with them and the employees realised that during my 6 years of working here".

The differences are also manifested in managing work and interpreting policies. In strong uncertainty avoidance societies, rules must not be broken for any reason (Hofstede et al. 2005). Participant A-A4 said, "I do not know whether it is culture or lack of training for example, the attitudes are different. Policies here in Libyan companies, I found the procedures are very strict". In weak uncertainty avoidance societies, rules might be broken for practical reasons (Hofstede et al. 2005). The same participant stated that "Anglo-American managers have a lot of discretion over policies". Participant A-A8

commented, in a similar fashion, that “Yes I will treat them [Libyans] quite different. I never say no, just smile. But with Anglo-Americans I say no straightaway if I do not want it. To Libyans I provide more contexts. They talk unassertive and indirectly...Libyans can be assertive too, especially when we deal with NOCL. The answer is hard”. Participant A-A9 provided an additional viewpoint:

Libyans like playing cards. They often say yes, no problem. I can do that and during the time you have. But in reality they cannot deliver in that time, they overstate. For example I have a problem with my passport and visa. The person looking after them said to me no problem we will get it. He did not say to me it is difficult that is a problem. He is not open totally to me. I want just to know what is going on... Sometimes they say yes but actually mean no. Certain sentences they say yes but really mean no or vice versa. Say no and means yes ‘Beating around the bush’. Why he cannot say I cannot do it. That is what I could not understand. If they say I cannot do the job they feel bad (A-A9).

Religious beliefs also vary between Libyan workers and Anglo-American workers. Most of Libyan workers are Muslim while most of the Anglo-American workers are Christians or affiliated with other religions. However religion does not present a problem in the execution of the work; and workers co-exist with each other in harmony. Participant A-A8 supported this notion with the statement, “We do not have any problem. Employees when they talk about future say “Anshallah” as an expression, I respect the fact that they pray. We all respect each other and believe their values”. Also, Libyans are happy when they feel that their religion is respected. Libyan participant L-A1 supported this view by saying, “We have all the respect especially in the month of Ramadan...and time is suitable for praying because it is at lunch time so we do not have any problem”.

Despite the fact that religion does not pose problems between Libyan and Anglo-American workers, it has the potential to affect performance from Anglo-American workers’ viewpoint. Participant A-A8 stated, “In Ramadan the efficiency goes down, no doubt about it. It is a problem for the business. It is obvious we expect to achieve less during Ramadan. I cannot say you have to work in Ramadan so we adjust ourselves when we come to Libya and we respect each other”.

This chapter examined the differences between Libyan and Anglo-American companies operating in the Libyan oil sector based on qualitative research evidence. Overall, the results demonstrate the differences between the two types of groups in terms of their budgets and budgeting process. The following chapter discusses the major findings and the contribution of the study.

Chapter 6 Discussion and conclusion

This study was designed to examine the impact of societal cultural dimensions on budgets and budgeting processes in Libyan and Anglo-American companies operating in the Libyan oil sector. Its focus was to identify how and to what extent these societal cultural dimensions affect budgets and budgeting processes in Libyan and Anglo-American companies. Chapters 4 and 5 presented the results of the study's quantitative and qualitative data analyses respectively. This chapter synthesises the results of the analyses and discusses the findings. It addresses the impact of each societal cultural dimension on a certain aspect of budgets and budgeting processes within the context of the existing cultural difference literature. Next it outlines and discusses the major findings of the study and also discusses contributions and methodological considerations.

6.1 Purpose of the study and the need of understanding cultural differences

Current understanding of how and why specific budget aspects and budgeting processes differ from country to country could, in part, be attributed to cultural differences. In this context, the philosophy of cultural influence on budgets and budgeting processes is discussed in manufacturing and services industries but rarely in as culturally diverse industry as oil and gas. The main objective of this study is to identify any differences between Libyan and Anglo-American companies operating in the Libyan oil sector in terms of their budgets and budgeting processes. The study also aimed to examine how each societal cultural dimension affects certain aspects of budgets and budgeting processes and as well as voice and explanation. It also aimed to identify whether Libyans and Anglo-Americans are aware of the potential cultural differences when interacting with each other.

Despite the fact that multinational corporations bring positive changes that influence the host countries' cultures that they operate in, they bring negative changes as well. Cultural differences can lead to increased costs through communication breakdowns, high staff turnover rates, and interpersonal conflict. Furthermore, there can be confronting dilemmas involving cultural differences leading to tensions between employees. These occur in a

local environment as well in the local operation's dealings with corporate headquarters because of variations in economic conditions, government regulations, values, religions and cultures (Griffin et al. 2010; Jain et al. 1996; Sauers et al. 2009). In this regard, managers and employees of these multinational companies should note any cultural differences between operating environments and should also be aware that management practices they are using in one culture may need to be modified for use in other cultures (Douglas et al. 2005; Furnham et al. 1993; Garrison et al. 2006; Merchant et al. 1995; Osland et al. 2000; Tsui 2001).

The growth in international trade in oil and gas between Anglo-American countries and Libya in recent years necessitates a better understanding of societal culture. Intercultural studies have a tendency to view Anglo-American and Arab cultures as cultural opposites as they are culturally different in many respects. This includes the aspects of religion, predominant ethnic group, language, political systems, economic systems, traditions, attitudes and their external environments (Yasin et al. 1990; Zaharna 1995). These differences are confirmed in terms of the taxonomy of Hofstede and Hofstede's (2005) scores of cultural dimensions.

Libyan companies are differentiated from Anglo-American companies by being classified as having poor management performance, governance structure, unsophisticated users and a weak accounting profession as symptomatic of emerging nations (Baralexis 2004). With knowledge and a better understanding of the basis of similarities and differences between countries, multinational companies' managers can effectively predict results of practices and policies across national boundaries (Griffeth et al. 1985; Ronen et al. 1985; Tsui 2001). A better understanding of different cultures would also assist managers to participate and engage more effectively with employees in an optimal way when undertaking budgets and budgeting processes. This is especially so for those whose workplaces are global and culturally diverse and is particularly the case in relation to activities around social interrelations, especially with budgeting that involves a variety of activities that require human reactions.

The human dimension of budgeting is of paramount importance to budgeting because a budget does not exist without people (Milani 1975). Similarly, budgetary processes are one of the most important tasks that multinational corporations need to pay attention to because these appear to be critical to organizational success. Budgets are prepared,

controlled and revised by people to facilitate management's functions. In this regard, budgets and budgeting are influenced by employees' behaviour (Milani 1975).

Interaction between workers and supervisors occur in the workplace and different preferences will manifest themselves especially where different cultures come together in organizations that operate internationally (Bing 2004). The findings of this study provide insights into the importance of these human dynamics in the budgeting process.

6.2 Discussion of major findings

Contextual cultural dimensions influence certain aspects of budgets

To understand the effect of societal culture dimensions on budgets and budgeting processes this study examined how each societal cultural dimension affects certain aspects of budgets and budgeting processes in Libyan and Anglo-American companies operating in the Libyan oil sector. The study examined an operating environment which appears to have not been covered by previous studies. The study focuses on Libya as a developing country and is further differentiated in terms of the industry context. As noted previously cultural differences in the oil industry is a very important aspect of the industry's international operations.

It is important to remember that most Libyan oil companies were established by multinational companies or by involvement of multinational companies as financiers, partners or consultants. The oil industry was started by multinational companies, mostly from the USA and UK, and continues to receive significant attention from the Libyan government. Employees in the industry generally have long service experience and high levels of education. As such, the importance of cultural differences is readily understood especially within the context of the notion that management behaviour is entrenched in culture.

Since the oil sector was originally developed by Anglo-American enterprises, it is inevitable that the budgets and budgeting processes of foreign companies in Libya differ significantly from those of oil companies later developed by Libyans because that latter stem from a local corporate culture formed by different values, attitudes, political heritage, economic systems and traditions.

Hofstede's four cultural dimensions help in understanding and identifying the difference between Libyan and Anglo-American companies operating in the Libyan oil sector in terms of budgets and budgeting processes. In addressing the research question "*how and to what extent do societal cultural dimensions affect the budgeting process undertaken by Libyan and Anglo-American companies operating in the Libyan oil sector*", research issue one was addressed quantitatively and qualitatively. The discussion and conclusions related to this research issue are discussed next.

6.2.1 Power distance

Although previous literature (Douglas et al. 2007; Douglas et al. 2005; O'Connor 1995; Ueno et al. 1992; Yee et al. 2008) provides evidence that *power distance* has an influence on participation in budgeting process, such prior research was restricted to the manufacturing and services industries. Previous research was primarily focused on participation only, ignoring the influence of *power distance* on the voice and explanation aspects in the budgeting process. This study provides empirical evidence from the oil and gas industry that power distance affects these three aspects of budgeting processes. Culture differences in terms of high and low power distance societies lead to different responses to participation, voice and explanations in terms of budgeting processes.

A significant difference was found between Anglo-American companies and Libyan companies in terms of all three aspects of the budgeting process. Anglo-American companies have higher participation, voice and explanations compared to Libyan companies. Quantitative data analysis supported H1 (participation), H2 (voice) and H3 (explanation). The results provided empirical support for H1 that employees from low power distance societies participate much more in budgeting processes than those from high power distance societies. Findings also provided support for H2 and H3 that in low power distance societies employees have more voice and explanation in budgeting processes than those in high power distance societies. Qualitative data analysis from interviews triangulated and thus also supported these findings.

The study also examined differences between Libyans working in Libyan companies, Libyans working in Anglo-American companies, and Anglo-Americans working in Anglo-American companies. The study finds that Anglo-Americans (low power distance societies) participate much more in budgeting processes than Libyans (high power

distances societies) in both Libyan companies and Anglo-American companies. According to Hofstede and Hofstede (2005), Anglo-American countries are low in power distance and as such employees expect to be consulted. The study's results confirm previous studies' findings that employees' participation in budgeting processes is higher in low power distance societies than for employees from high power distance societies (Douglas et al. 2007; Douglas et al. 2005; Ueno et al. 1992; Yee. et al. 2008).

The analysis from this study further shows that Libyans in Anglo-American companies have slightly higher participation in budgeting processes than Libyans in Libyan companies. However, this difference is not significant. The slightly higher participation is explained by a company's budget system designed by Anglo-American expertise. However, the hierarchical structures predominant in Libyan companies can be interpreted as moderating the participation of employees generally. The interviews conducted in these companies illustrate that, despite this general conclusion, participation increases in the higher managerial levels. This re-affirms that power distance exerts a negative influence on employees' participation in budgeting processes in the Libyan oil sector.

Libyans working in Anglo-American companies illustrate a continued adherence to the power distance dimension of their culture even though employed in companies that had more participative systems in companies with a predominantly different culture. This affirms the assumption that the management behaviour is embedded in culture. A previous study by Douglas et al. (2007) found that Egyptian employees who work for American companies participate more in the budgeting process than Egyptian employees who work for Egyptian companies. Despite this finding, previous research findings affirmed by this study have generally not established statistically significant differences in the level of participation, voice and explanation of employees from high power distance societies, regardless of the cultural origin of their employers.

Libya is classified as high in power distance. In this regard, Arab managers generally follow and obey rules, regulations, and customs instead of exercising their own professional judgment, particularly under authoritarian regimes (Aagnaia 1997; Atiyyah 1993). According to Hofstede and Hofstede (2005) in high power distance societies, employees expect to be told what to do. Yasin and Stahl (1990) attribute this to the lack of democracy in Arabian culture, media characterised by government control, and the absence of free elections. These characteristics may lead individuals to feel powerless

towards institutions including the government. Arabic culture and environment such as family, friendship, personal connection, nepotism and tribal connection are considerable drivers in the operation of foundations and groups in Arabic societies which influence their management style (Aгнаia 1997; Yasin et al. 1990). Arab managers' practices are profoundly influenced by their society's social structure and by the environment, norms, values and expectations of their people. These practices do not exist in an economic or social vacuum as they are deeply influenced by the society's culture, norms and values (Aгнаia 1997; Bjerke et al. 1993; Parnell et al. 1999).

From the Ottoman administration up until the 1950s, Libyans were nomads and semi-nomads mostly living in the arid or semi-arid Sahara with a literacy rate of less than 10% (Ahmad et al. 2004; Clarke 1963; Rahma 1999; Vandewalle 1998). In addition to the socio-cultural influences on management practice, businesses in emerging nations are also profoundly dependent on government allocation of resources (Parnell et al. 1999). Managers rely upon rules, regulations and subordinates (Hofstede et al. 2005). From this prospective, political and cultural structure should not be ignored if better understanding of economic relations is needed among nations (Abbas 1987). In most Arabic countries, government control negatively influences management practices, particularly in terms of the appointment of senior managers in public companies on the basis of political connections (Aгнаia 1997; Ahmad et al. 2004). This practice only serves to reinforce the established high power distance and hierarchy while further inhibiting employee participation. The Libyan economy is heavily influenced by socialist philosophy. The main objective of business and industrial companies is to provide goods and services rather than to generate profit. Aгнаia (1997) argues that returns on the investments in Libyan companies are deplorably inadequate. Such companies are predominantly owned, supervised and controlled by government institutions (Ahmad et al. 2004). In this regard, Aгнаia (1997, p. 118) states that "one of the negative political influences is that managerial appointment may be made by political connections rather than professional competence". Therefore Libyan companies and, by implication, their budgets are sensitive to any political and social issues (Ahmad et al. 2004). This all supports the conclusion that Libya is a high power distance society. Therefore, participation, voice and explanation in budgeting processes in Libya will be lower than in less power distance societies.

This study compared participation, voice and explanation in Libyan and Anglo-American companies. Anglo-American companies only re-commenced operating in the Libyan oil sector less than five years prior to data being gathered for this study. This short tenure may underlie the differences noted among employees from the different cultural paradigms in the Anglo-Americans companies. A potential reason for this is that the employees have not yet been able to establish a culturally integrated organisational culture with the diverse cultural paradigms still prevailing, albeit those indications of this shift have been noted above.

6.2.2 Uncertainty avoidance

As mentioned in Chapter 4, H4 (Long and short terms budgets) was addressed qualitatively. Qualitative data indicates that Libyan companies use short-term budgets covering a period for one year while Anglo-American companies use both long and short term budgets. They prepare budgets for one year and they also prepare budgets for long term planning which typically have a three to five years span.

From an analysis of the qualitative data, it was concluded that uncertainty avoidance does not exert any influence on budget plans in the Libyan oil sector. Libyan companies prepare annual budgets according to NOCL requirements while Anglo-American companies include three or five year plans in anticipation of potential price and cost fluctuations. The oil industry requires significant capital investment and it is hard to predict additional costs (Otman 2008). The oil sector also requires experienced professionals from different specializations that may drive up costs based on unexpected changes in the operating environment (Weijermars et al. 2008).

In relation to H5 (flexible budgets) and H6 (rolling budgets), the measures failed to capture the constructs well (see section 4.3.5 and 4.3.11). This might be due to employees' unfamiliarity with the concepts of flexible and rolling budgets. Alternatively, measurement failure might have been due to response bias due to lack of usage of these practises and such could not yield a distribution of data that is required for acceptable factor loadings.

There were no differences between Libyan and Anglo-American companies in terms of flexible budgets. Qualitative data shows that both Libyan and Anglo-American companies

use fixed budgets and do not employ flexible budgets. Flexible budgets entail separating costs into fixed and variable costs which were regarded by the interviewees as unpredictable in the oil sector. Results showed that Libyans and Anglo-Americans did not think about using flexible budgets and it is difficult for them as they struggle with fixed budgets. Flexible budgets might be suited to seasonal businesses but not to the oil and gas industry.

In relation to the use of rolling budgets, qualitative data shows that Libyan companies do not use rolling budgets while Anglo-American companies use rolling budgets informally. This result supports the assumption that there is a negative relationship between uncertainty avoidance on the use of rolling budgets. Libyan employees have a strong uncertainty avoidance heritage and illustrate anxiety when engaging matters related to envisioning the future. This is reflected in the planning capabilities illustrated in the interview process. It is suggested that this may be due to a shortage of qualified accountants in Libyan companies (Aгнаia 1997; Ahmad et al. 2004). In this regard, the qualitative data shows that Libyan employees also have difficulty relating to the implementation of plans, similarly, due to lack of experience in planning. Uncertainty avoidance is found to be influential in terms of the use of rolling budgets in the oil sector even though it is not significantly influential on short or long-term budgets which is a unique aspect of the oil sector.

6.2.3 Individualism versus collectivism

Hypothesis 7 (budgetary slack) was not supported quantitatively or qualitatively. Anglo-American companies are found to create less slack in their budgets than Libyan companies. This study provides empirical evidence that individualism versus collectivism does not exert an influence on budgeting behaviour in terms of creating slack in budgeting processes as hypothesised. Although creating slack is associated with rewards on achieving budget goals (Douglas et al. 2005), this is not the case in the Libyan oil sector.

Libyan employees create more slack in their budgets with the results of the analysis illustrating a significant difference between Libyan and Anglo-American employees in this respect. These results contradict previous research conducted by Ueno and Sekaran (1992). These authors find that Anglo-Americans create more slack in their budgets than

Japanese. It was expected that Anglo-Americans create slack in their budgets in order to improve their performance and obtain rewards (Wu 2005). It was further expected that Libyans will create less slack because there are no rewards for achieving their budgets and their performance will not be improved on the basis of achieving budget goals.

Results from the qualitative data analysis illustrate that Anglo-American companies tend to create less slack in their budgets due to limited capital investment resources. The oil sector needs significant investment capital and start-up resources and due to the competitive nature of the industry these are generally finely tuned and geared toward the highest return on investment. It is difficult to enter or exit the oil and gas industry (especially when offshore) because this industry uses large amounts of financial capital (Otman 2008). It is likely that Anglo-American companies recognise that creating more slack in budgets results in potentially higher capital investment. Anglo-Americans also allocate resources based on ROI and they are transparent about slack in their budgets. Management also have corporate instructions to reduce slack in budgets. Therefore, the emphasis is on creating less slack in their budgets. Libyans create more slack in their budgets. An analysis of qualitative data shows that this is because budgetary cuts introduced by NOCL and senior management results in greater precaution against these cuts. Interviewees also indicated that creating budgetary slack was deemed a strategic mechanism (game) adopted by those developing budgets and NOCL to obtain extra resources for future allocations.

The quantitative data analysis shows significant difference between employees' tendencies to create slack in their budgets. Further analysis of these results according to managerial levels shows no significant difference in the practise between high and low managerial levels. However, a significant difference between employees' tendencies to create slack in their budgets exists in middle managerial levels. This might be due to the adherence of high managerial levels in terms of their responsibility to reduce the slack in budgets as determined by NOCL while middle managers desire more slack because they are directly responsible for planning and implementation and express concern about the shortage of funding to do so effectively. This could also mean that there is more pressure on middle management to meet budget objectives than on senior managers or on the staff that prepare budgets. In relation to the low managerial level there is no significant difference in their use of slack in budgets. The reason may be that most participants are

accountants and the results confirm that accountants' tendencies to create slack is always lower than managers in Anglo-American companies while Libyan accountants have higher tendencies to create slack in budgets than Libyan managers. Quantitative data analysis indicates a significant difference in terms of creating slack in budgets between Anglo-American accountants and Libyan accountants in Libyan companies. These analyses include all participants regardless to managerial levels. Libyan accountants show a higher but not significant tendency to create slack in their budgets than Libyan managers in Libyan companies. Qualitative data analysis reveals that Libyan accountants struggle with procedures to shift allowances from one unit to another.

It is further apparent that Libyans' participation in the budgeting processes both in Libyan companies and in Anglo-American companies is low and lead to the creation of more slack in their budgets. In contrast, high participation of employees in the budgeting processes of Anglo-American companies lead to creating less slack in their budgets. Arising out of these observations is the assumption that employees might misrepresent their forecasting and will not provide honest information to their superiors when employees' objectives diverge from the organization's policies and senior management prerequisites. This is especially so when superiors have the authority over budgets which reduce the importance and effectiveness of budgeting processes (Dunk 1993; Rankin et al. 2008; Staley et al. 2007).

In the management accounting discipline, employees are rewarded financially when they achieve their budget targets. This is particularly the case in individualistic societies due to the high importance attributed to budgets as a critical tool used for performance measurement, evaluation and rewards (Wu 2005). The expectations of rewards for individuals in an individualist society are largely based on an individual's performance in attaining budgetary targets (Earley 1989; Yee. et al. 2008). In contrast, individuals in collectivist-oriented societies are not willing to sacrifice the interests of their group for personal goals (Earley 1993). In this regard, H 8 (rewards) was supported qualitatively and quantitatively. Anglo-American companies use budgets as a basis to determine employees' rewards while Libyan companies do not use budgetary outcomes in determining employees' rewards. In the same vein, Gray and Arpan (1997) find that American managers tend to be more involved in the budgeting process and are evaluated by budgets as well as rewarded or penalized in terms of budgetary outcomes. Kim and

Leung (2007) also find Americans favour a fair distribution of rewards with performance against budgets generally being considered as an objective measure of this and thus regarded as fair. Anglo-American managers' loyalties and obedience are driven by perceived acceptance of their professional judgments regarding profitability and in terms of their expected personal financial rewards. Individualism and the Protestant work ethic are the basis for high achievement in Western societies (Ali 1993; Weber 1965; Yee. et al. 2008). Yee et al. (2008) argue that achievement through ability is also most valued in Western management particularly by Americans while East-Asians consider effort as a significant moderating element that interacts with the ability to achieve.

Libyan companies like the Japanese never or very rarely use budgets as a basis for determining rewards. This study suggests that this might be attributed to the predominant Arab style of management that rewards obedience and submissiveness and where creativity and original thinking are not valued (Ali 1990). Arab managerial practises reveal different patterns of managerial motivational effectiveness to those in Anglo-American management culture. In developing countries, satisfying security and social needs are regarded as a more valued reward (Mendonca et al. 1996). Arab management also encounters many difficulties in achieving objectives effectively due to Arabic managers' general tendency to concentrate on nepotism rather fairness, seniority rather than merit, centralisation rather than decentralisation (Aгнаia 1997). Loyalty is associated with supporting family members and tribal connections rather than enhancing organizations. Promotion, financial support and personal development opportunities abroad are usually considered in terms of family and personal relationships (Aгнаia 1997). Yasin and Stahl (1990) also support conclusions that Anglo-American culture is achievement and power oriented. On the contrary, rewards for Arabic managers seem to be associated with managers who have positions of power and are generally not associated with achievement (Ali 1990; Yasin et al. 1990).

Similarly, these attributes of management style influence the evaluation of performance. Both quantitative and qualitative data analysis of the study supports H9 (using variances to evaluate performance) that Anglo-American companies use variances to evaluate the performance of its employees while Libyan companies do not. Libyans use budgeting neither as carrot or stick whereas Yee at al. (2008) find that Japanese companies use

budgeting as a stick (they investigate unfavourable variances promptly) but not as a carrot (rewards are not tied to budgetary attainment).

6.2.4 Masculinity versus femininity

Quantitative data analysis supports H10 (action towards variances) that Anglo-American companies take prompter and more decisive action in regards to unfavourable variances in budgetary performance than Libyan companies. Anglo-American cultures are classified as masculine societies that place an emphasis on competition, recognition, and assertiveness. Employees from these societies are generally influenced by individualism and embrace the challenge of tight budgeting practises (Douglas et al. 2005). Anglo-American companies are predominantly embedded in masculine cultures and use budgets as a mechanism to drive operating efficiencies and take prompter and more decisive action in relation to unfavourable variances to cut costs. This conclusion is supported by the qualitative data analysis. In feministic societies employees appreciate interpersonal relationships more than performance and meeting or achieving budget goals (Mendonca et al. 1996). In line with this observation Libyan companies do not use budgets as performance evaluation criterion or to reward or penalise employees for achieving their budgets. This hypothesis was supported as established by the analysis in that Anglo-American companies (like the also masculine Japanese) take action towards unfavourable variances while Libyan companies do not. Libyans still reflect their valuing of interpersonal relationship as associated with feminist societies, more than organization's goals or the improvement of organizational performance the perceived benefits of which are valued highly in masculine societies. It could be argued that when companies do not use budgets as basis of rewards and evaluation of employees' performances it would be difficult to take prompter and more decisive action in regards to unfavourable variances especially given the volatility of the oil and gas industry. Libyan companies therefore, based on this observation, would generally be less likely to be agile due to their feminist societal culture.

H11 (attitude towards budgets) was addressed qualitatively because items used in the questionnaire did not capture the construct well (section 4.3.9). Anglo-American employees have more positive attitude towards budgets and the budgeting process than Libyan employees. Qualitative data analysis illustrate that Anglo-American employees are content with their budgets and budgeting systems while Libyans showed their content

to a certain extent. The relative lack of contentment of Libyan employees to their budgets and budgeting process, as compared to Anglo-American employees, might be due to the reduction of their budgets by management and the NOCL. It might be also due to the omission of Libyan companies to use budgets as a basis of rewards or penalties as related to achievement of their budgets. In masculine cultures where the predominant philosophy is suggested as being tendency to 'live to work' there is a great emphasis on accomplishments, money and competition. Accordingly, rewards for employees are usually based on their performances (Dwyer et al. 2005). In feminine societies, the predominant philosophy is regarded as more people oriented and underpinned by a 'work to live' perspective. The emphasis is on interpersonal relationship and the environment. In such societies, performance is unlikely to be successful if the culture does not readily see organizational performance as important. Mendonca and Kanungo (1996) argue that job autonomy is a more valued non-economic reward in Western countries whereas in emerging nations such as Libya satisfying security and social needs is the reward that is valued more.

It can be concluded that the influence of culture on budgets and budgeting processes is clearly illustrated in Libyan and Anglo-American companies in the oil and gas sector. The quantitative data analysis shows differences between Libyan and Anglo-American employees with same educational levels. Differences between the two groups are manifest between employees at the same managerial levels. This is also the case in terms of professionals regarded as managers and accountants. In summary, the demographic profile of the participants in the study supported the conclusion that the influences of cultural differences between the two groups are manifest regardless of education levels, position or whether the participants were managers or accountant. This accentuates the notion that culture is embedded in management behaviour.

6.2.5 Awareness of the potential influence of cultural differences between Libyans and Anglo-Americans working in Anglo-American companies

Research issue two is: To what extent are Libyan and Anglo-American employees aware of the potential influence of culture on the budgeting process?

Qualitative data analysis illustrates differences between Libyans and Anglo-Americans in terms of their awareness of cultural differences based on their experience in their roles,

experience in working abroad and also differences in how they view budgets and the budgeting processes. Anglo-Americans are aware of cultural differences and their companies provide them with cultural diversity courses that sensitise them to cultural differences. Added to this, they generally have experienced cultural differences between countries due to previous overseas experience. Working overseas sensitises employees to work in different environments and cultures. Courses developed to sensitise employees to cultural diversity prior to commencing work in a foreign location and different environment are recognised as assisting employees in becoming aware of and preparing them to adapt to cultural differences. However, Libyans are not aware of these cultural differences. Employees' development in the form of cultural diversity training generally does not exist. Libyan employees are generally not exposed to employee development interventions sensitising them to cultural differences in Anglo-American companies especially in terms of how Anglo-American employees think or how they work. Their experience in working with Anglo-American companies is limited to five years and they do not have experience working overseas in different oil companies. As such, the lack of awareness is attributable to a narrow scope of experience combined with a lack of being exposed to the interventions provided to Anglo-American employees.

Results of the qualitative analysis demonstrate that Libyan and Anglo-American employees are satisfied to work with each other in Anglo-American companies. Foreign companies that employ local employees generally benefit due to knowledge transfer facilitated by these employees as related to knowledge of their own operating environment, customs and culture. This was most apparent when dealing with taxation matters. Anglo-American employees generally express an appreciation of the opportunity to learn about differences in culture, foreign languages usage and overall experience. This is mirrored by the Libyan respondents who expressed appreciation for the opportunity to learn new management practices and techniques. However, Libyan employees indicate that they face a number of difficulties at the commencement of work in Anglo-American companies. Commitment to expectation related to levels of work and working hours seem to be difficult for Libyans to adapt to in comparison with that of their Anglo-American counterparts. Libyan employees seem to value the importance of time at a lower level than those maintained by the Anglo-American employees. This affirms the conclusion that this prevailing attitude has a perceived negative influence on the standard of work conducted by Libyan employees (Aagnaia 1997). In Libyan culture, personal relationship

is the most highly valued aspect of management practice. Libyan employees use these relationships to develop their careers at the expense of possibly higher valued aspects such as time this worldview is seen as conflicting with Anglo-American management practice.

Qualitative data analysis also illustrates that language is a very important aspect that might hinder communications between senders and receivers. Speaking with a different first language entails careful consideration and the need to assure that receivers interpret the message correctly. This is especially important as language is largely reflective of a culture perspective. Using different approaches such as writing messages, verbally repeating the message and saying it in front of others are recognised as techniques to enhance effective message delivery. Writing messages quickly is also a reasonable method to communicate with deaf employees, according to V-Wen Wong, a political activist for Singapore Democratic Party (SDP) the deaf community can be regarded as a distinct subculture (Kieran James interview with V-Wen Wong, 18 October 2010).

Qualitative data shows differences in communication and interaction with each other. Anglo-American employees are careful and aware when communicating with Libyans in order to ensure that their messages are received and understood. Libyans are more sensitive, talk unassertively, and indirectly leading to difficulty in understanding the meaning of the intended message or what they want. This is exacerbated when there is a lack of understanding of their culture by the recipient of the message. Further, the reluctance in Arabic culture to be able to say 'no' attributed to saving face, is of utmost importance in interacting with others (Parnell et al. 1999). Libyan employees also stick to the rules and regulations potentially at the expense of their own professional judgments (Agnaiya 1997; Atiyyah 1993). Anglo-Americans are more assertive and talk frankly. Their loyalties and obedience are driven by their professional judgments regarding profitability and personal financial rewards (Ali 1993; Yee . et al. 2008).

The cognitive predilections predominant within the two cultures examined by this study, in terms of conducting business, are different. Anglo-American employees are driven by personal enrichment and individual competences while Libyan employees generally do not regard these as their most important considerations. This may also be associated with masculine societal attributes. Anglo-Americans come from masculine societies oriented by assertiveness, competition and recognition while Libyans come from feminine society

that appreciates quality of life and interpersonal relationships more than money (Hofstede et al. 2005). A further explanation of the difference may be due to Libyans primarily being employed in the public sector as in the former Soviet bloc, government departments centralise planning and the allocation of resources thus generating a culture of public service provision as the dominant work ethic rather than a predominant focus on return on investment. Government makes plans and provide funds for these plans that make Libyan employees not think about the return on investments or how to find funds. In general, Libyan employees may therefore have been socialised in terms of dependence on public service rather than on how these plans are funded. Libya has not yet developed an ethic of budgeting based on investment in the mainstream but rather have been exposed to Government based decisions that have ostensibly not always made fiscal sense. It is proposed that this, rather than the Arabic culture itself, has had a profound effect on the general Libyan approach to business practices. This requires further investigation especially in terms of the socialisation of populations that are not necessarily reflective of the mainstream Arabic culture.

Anglo-American companies have certain amount of money and they need to invest this money to get fair returns on these investments. Libyan budgets are not based on investments or business but they are based on Government decisions which profoundly affect Libyans' mentality of doing business.

In order to help Libyan employees work optimally in multi-cultural teams and in different operational context, developing the ability to understand the liberty from internal embarrassment and external pressures becomes essential. Workplace support and interventions that promote this personal development are increasingly important. This partly involves addressing traditional vestiges of power inherent in the predominant hierarchical organizational structure of Libyan organizations and includes encouraging employees to articulate and assert their views frankly and transparently (Arora 1992). It is imperative for managers and employees in multinational companies to be good communicators due to diversity of their workplaces and cultures, by taking into account cultural differences that will assist and facilitate managing their organizations in optimal ways to achieve their organizations' goals.

6.3 Contributions

6.3.1 Contributions to literature

This study contributes to the literature and knowledge base of studies investigating cultural differences. The study tests existing theory within a specific industry and national context not previously researched. It further tests long-held assumption and generalisations related to the impact of cultural differences on budgets and budgeting processes by providing new insights that are country and industry specific. Due to the scarcity of research and studies on the impact of culture on budgets and budgeting processes in the oil sector and within the context of an Arab country generally and Libya in particular, the contribution fills a gap in the literature. Budgets, as part of a most important skills and practise inventor, have been neglected in studies of cultural diversity especially in terms of how budgets and budgeting processes could be affected specifically in the Libyan oil sector. The study provides empirical evidence from the Arab oil-producing world in general, and Libya in particular, and with the contrast with Anglo-American cultures. This study also contributes to the literature by providing evidence from the oil and gas industry in terms of the impact of societal cultural dimensions on budgets and budgeting processes thus supporting a theory of cultural influence on budgeting processes in oil and gas industry. Studies have not previously addressed certain specific aspects of the budgeting process in relation to cultural differences. The conclusion of the study not previously evidenced was that employees coming from low power distance societies have higher levels of say (*voice*) and *explanation* in relation to the budgeting processes than employees that come from high power distance societies. This represents a unique contribution to existing knowledge.

The contribution of this finding to the literature, not addressed in previous studies, is that in low power distance societies, employees have higher levels of voice and explanation in relation to budgeting processes than employees in high power distance societies. The study also contribute to the methodology by adding two new construct of budgeting processes that measures of voice and explanation to cross-cultural research.

Another contribution to literature by supporting the theory that culture has a measurable influence on the budgeting processes in the Libyan oil and gas industry. One important question that emerges from the results is to what extent Libyan employees in Anglo-

American companies have less participation, voice and explanation than Anglo-Americans in Anglo-American companies? Also to what extent do they fail to recognize or take advantage of opportunities that are presented to them to increase their level of participation, voice and explanation? A door may be open, metaphorically, but the Libyans may not read culturally specific signals and, if they do, may lack the self-confidence and courage to voice their opinions. Furthermore, they may not want to adjust their behaviour too much as they still have to live the rest of their lives within Libyan culture context. Operating in two cultural styles may prove too confusing or burdensome for some Libyans especially older ones, those from rural areas and these from conservative family backgrounds.

The study further contributes to the literature by concluding that the creation of budgetary slack in the Libyan oil sector is not influenced by cultural dimensions. Results are different to the hypothesised relationship between the effects of cultural dimensions on budgetary slack and contrasted with those from previous studies. It can be concluded that the results from previous studies are not applicable to companies operating in the Libyan oil sector. This may be due to the fact that previous studies only being conducted in the manufacturing and services sectors. It is acknowledged that the differentiation in terms of sector specific research may explain the inconsistency with previous.

This study contributes to the literature by concluding that Anglo-American companies use budgets as part of their rewards systems while Libyan companies never use budgets as a determination of employee rewards in the Libyan oil sector. Also both Libyan and Anglo-American companies do not trace variances to individuals because employees in the oils and gas industry work as a team.

A further contribution to the literature is that Libyan companies operating in the Libyan oil sector do not use budgets as a basis to evaluate the performance of or a basis for rewarding their employees. In regards the latter point only the evidence is consistent with Yee et al. (2008) finding for Japanese companies. Another contribution is that there was no influence of cultural differences on the use of flexible budgets both Libyan and Anglo-American companies operating in the Libyan oil sector. Neither was there use of flexible budgets which is likely a unique aspect of the oil industry.

6.3.2 Contributions to practice

Adopting appropriate practices in international businesses is of paramount importance in the sustainability of multinational companies. A dimension of adopting appropriate practises is linked to the capability of successfully operating in different cultures and extends to the efficiency of the budgeting processes (Wu 2005). The findings of this study contribute in developing an understanding of the impact of culture on budgets and budgeting processes. This is achieved by providing prescriptive insights useful in guiding both multinational corporations' employees Arabic host country's employees in terms of engaging with their culturally diverse workforces and operating environments. This is especially of value in guiding managers who operate their subsidiaries in the Libyan oil and gas industry. The finding of this study increases the understanding of cultural differences between Anglo-Americans and Libyans in terms of conducting their operations in the oil and gas sector. These findings may have important implications for the way that Anglo-Americans interact with Libyans in the Libyan oil sector and vice versa. It also provides useful insights to perspective of Anglo-American companies that intend investing in the Libyan oil and gas industry. This is increasingly likely in view of the increased international trade between Anglo-American countries and Libya since the lifting of sanction by the UN.

As an emerging nation Libya is adopting and entering a free market economic approach but within an overall socialist framework. These findings contribute in assisting Libyan employees in gaining insights as to how to deal with managers that are culturally different and how to understand how budgets are developed within the context of an Anglo-American company. Libyan employees may adopt practices from Anglo-American employees that may be deemed culturally appropriate or desirable. This study also assists managers in terms of illustrating best practises of successfully running businesses internationally especially in terms of the diversity of thinking about business, being open-minded to culturally different ideas, sensitivity to diversity, recognition of the importance of diversity of management, and understand cultural differences of the workforce (Enshassi et al. 1991; Harris et al. 2008). Qualitative data shows that religion has no influence on management practices in the Libyan oil sector. However, Anglo-American companies anticipate lower worker production because of shortened working hours during Ramadan. Cultural and religious hegemony does work to affect the economic

system. Using the Marxist terms, we might say that there is relative autonomy between economic base and cultural and religious superstructure (as argued by Louis Althusser)(Althusser 2008).

6.3 Limitations and suggestions for further research

One of limitation of this study is that using Hofstede's (2005) cultural dimensions which has been criticised by a number of researchers. However, the justification for using this model is provided in section (2.3.2). Hofstede's model is still widely used due to its simplicity and clarity to both academics and practitioners. One key limitation of Hofstede's model is that it does not consider cultural differences within nations based on ethnicity, religion, social class, and occupation or rural vs. urban.

Further studies using different cultural models are encouraged and also comparisons with these findings as against the Hofstede model are needed in the Libyan context. Research also is needed to measure the fifth dimension scores in Arab countries and examine its impact on budgets and budgeting process in the Libyan oil and gas industry.

Another limitation of the study is in categorising the group 'Anglo-American companies' with respondents being employees from USA, UK, Canada, and Australia the differences that exist between cultures, epitomised by countries, was largely ignored. Variability of scores in terms of the cultural dimensions attributed to each Anglo-American country was marginal and justified the grouping as adopted by the study. This limitation could not be avoided because responses from one country would not have been sufficient for data analysis.

Further research is encouraged to examine the influence of societal culture dimensions on budgets and budgeting processes in Libyan companies and a single selected country of the Anglo-American group (USA, UK, Canada, and Australia). This would serve to triangulate the results of this study and achieve further insights.

Further research is also needed to examine the influence of societal culture in the oil and gas industry in terms of exploration, production, refinery, marketing or services only. Further research is also encouraged in comparing oil companies operating in two or more Arabic countries and to examine the differences and similarities between cultures as suggested by this study.

Libyans working in Anglo-American companies illustrate a continued adherence to the power distance dimension of their culture even though employed in companies that had more participative systems in companies with a predominantly different culture. This affirms the assumption that the management behaviour is embedded in culture. A previous study by Douglas et al. (2007) finds that Egyptian employees who work for American companies participate more in the budgeting process than Egyptian employees who work for Egyptian companies. Despite this finding, previous research findings affirmed by this study have generally not established statistically significant differences in the level of participation, voice and explanation of employees from high power distance societies, regardless of the cultural origin of their employers. There may be need for further research to investigate this phenomenon of intra-organizational culture differences. Findings from previous research and this study may have failed to identify significant differences in the level of participation, *voice*, and *explanation* of employees from high power distance societies, regardless of the cultural origin of their employer. However, this study and previous research have measured differences in the level of participation in budgeting processes where employees from low power distance companies seem to participate more in companies originating from high power distance cultures albeit not in terms of being statistically significant. It may be that a more sensitive measurement instrument needs to be developed to investigate this issue further which may record significant differences.

Measures for voice and explanation are new measures of each construct requiring further validity and reliability testing. Further studies to replicate this research using the measures of voice and explanation is needed to allow further studies to generalize the results based on these new measures.

Participation is conducive to superior performance and high morale (Becker et al. 1962). Therefore, further studies should investigate whether the effect of voice and explanation can be positively correlated to performance and morale. Further studies are encouraged to investigate the impact of culture on performance and rewards systems on employees' satisfaction. This insight would assist multinational companies in managing organizational behaviour especially in terms of the enhancement of motivation among employees from diverse cultures. Efforts to encourage participation among motivated staff are more likely to result in achieving the company's goals.

Validity and reliability research is needed to further develop accurate measures for the rolling budgets and flexible budgets constructs.

Data was also gathered from different activities in the oil sector including exploration, production, refinery, marketing and services. This may have affected the results because of the uniqueness of each activity in the oil sector but was not apparent. This limitation could not be avoided because responses from one activity would not have been sufficient for data analysis.

In terms of masculinity versus femininity, Libya and Canada have similar scores which may affect the results related to the study of this dimension and its conclusions. This limitation was addressed in choosing interviewees from USA, UK, and Australia for the qualitative data collection.

The number of responses is different between Libyan companies and Anglo-American companies. This limitation could not be avoided because Anglo-American companies have only been operating for five years and are still in the early stage of growth in the Libyan oil sector with Libyan companies generally being significantly larger.

These results are not spurious. It is possible that the time period Libyan and Anglo-American employees have worked in Anglo-American companies is not long enough to intermingle the two cultures. Libyan companies have operated in the Libyan oil sector for a long time while Anglo-American companies have only operated for less than five years. Also to compare Libyans work in Anglo-American with Anglo-Americans is subject to limitation that Libyans only worked for less than five years. It might be not enough time to have experience and to change their attitudes.

Further studies are encouraged to investigate further this phenomenon further when the experience of Libyans working in Anglo-American companies has longer tenure. During the 1990s, the then Singaporean Prime Minister Goh Chok Tong classified Singaporeans as either “heartlanders” or “cosmopolitans” with the cosmos able to function effectively in diverse cultural contexts. Libyan needs to develop a large percentage of cosmopolitans with most of them continuing to work in Libya for the benefit of the country.

The number of interviews in Anglo-American companies was limited in comparison to those from Libyan companies. This limitation could not be avoided because conducting interviews in Anglo-American companies was very difficult as the employees required consent from the management or in some cases from the foreign headquarters.

Another limitation is that Libyan employees who work in Anglo-American companies preferred to conduct interviews in Arabic. Interviews were conducted in Arabic with all Libyan participants. Furthermore, the questionnaire was designed by westerns researchers and when translated to Arabic may have some issues even though procedures were taken to consider this issue. This limitation could not be avoided because these constructs were validated in previous studies and the language issue in cross-cultural research is a common source of bias (Douglas et al. 2005).

This chapter provided discussion and conclusion of the quantitative and qualitative data analysis. It also presented the contributions for this study and its limitations. Cultural differences are not far from obvious or new to multinational companies operating in the oil and gas industry but have been intensified by globalization. The importance of the oil and gas industry makes the influence of culture on management practice priority research area (Weijermars et al. 2008).

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Appendixes

Appendix A: The Questionnaire English



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Cross-cultural impact on the budgeting cycle: an empirical comparison between Anglo-American & Libyan companies operating in the Libyan oil sector.

Dear Sir/Madam

Oil Companies can still benefit from optimizing budgeting and budget processes when they operate in different cultures. As an oil professional, you may recognize the problem I am investigating in my PhD work. Your input is essential to arrive at sound and representative conclusions that may be of great benefit to the industry.

The potential benefits of the study could provide a valuable insight as to how budgeting processes differ in relation to their cultural settings. This will allow for conclusions that optimise budgeting in the context of employee cultural diversity.

The questionnaire is anonymous and voluntary; thus, please do not write your name on the questionnaire. The questionnaire focuses on aspects of the budgeting process within your company and should take approximately fifteen minutes to complete. Your response will remain completely confidential.

Your company has been selected as it represents a Libyan or an Anglo-American company engaged in the Libyan oil sector. For analysis and reporting purposes your response will be combined with those from other companies operating in the sector.

Please answer all questions on the survey. If you have any queries or require further clarification regarding any part of the survey, please do not hesitate to contact me or my supervisors Dr. *Kieran James* and Dr. *Joseph Mula*.

If you are willing to participate in an interview or if you would like to receive a summary of the findings, please indicate this on the last page of the survey.

I would like to take this opportunity to express my appreciation for your cooperation in completing the survey. It will greatly assist the research process if you can return the questionnaire within 15 days. Your honest and thoughtful responses are highly appreciated, and thank you for your invaluable assistance with my research.

Yours sincerely
Ramadan Kanan. Email: kanan@usq.edu.au

Section A: Information about the budget: Here are some statements that describe how employees might feel about budgeting and budgets in their organization. Please tick (√) on the spaces that indicate the degree to which you agree or disagree with each statement.

Budgeting	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. I am involved in setting all portions of the budget for my unit.	()	()	()	()	()
2. My contribution to the budget is very important.	()	()	()	()	()
3. My budget is finalized only when I am satisfied with it.	()	()	()	()	()
4. My supervisors seek my opinions and/or suggestions when the budget is being formulated.	()	()	()	()	()
5. I frequently initiate budget-related discussions with my superior.	()	()	()	()	()
6. The revised budget includes changes I have suggested.	()	()	()	()	()
7. My input to budget formulation influences my superiors in their final decisions on the budget.	()	()	()	()	()
8. I prepare my budget according to top management's instructions.	()	()	()	()	()
9. I have formal meetings with people from other units when budget is being prepared.	()	()	()	()	()
1. My superior's behavior tells me that he/she listens to what I have to say about the budget.	()	()	()	()	()
2. My company has procedures available that allow me to make suggestions for improvement to the budget process.	()	()	()	()	()
3. I have constructive discussions related to the budget process with my superior and co-workers.	()	()	()	()	()
4. I usually state my requests, opinions, and/or suggestions about the budget to my superior without being asked.	()	()	()	()	()
5. I offer suggestions for the improvement of budget systems.	()	()	()	()	()
1. The reasoning provided by my superior when budget revisions are made is very sound and logical.	()	()	()	()	()
2. My superior provides me with an explanation for changes in the budget.	()	()	()	()	()
3. I receive written or/and oral reports explaining why the budget does not reflect my suggestions.	()	()	()	()	()
4. My superior provides me with timely feedback about decisions on my budget and their implications.	()	()	()	()	()
5. My superior keeps me fully and frankly informed about anything related to my budget.	()	()	()	()	()
D.Flexible budget definition: provide estimates of what costs should be for any level of activity within a specified range.					
1. We use a flexible budget in our unit for all items.	()	()	()	()	()
2. Our forecasts in the budget for the next year are calculated for more than one activity (volume/labor/ etc.) level.	()	()	()	()	()
3. We use a flexible budget for expenditures.	()	()	()	()	()
4. We use a flexible budget for revenues.	()	()	()	()	()
1. In good business times, budget committee decision makers accept a reasonable level of slack in a unit's budget.	()	()	()	()	()
2. Slack in the budget is good because it lets you do things that cannot be officially approved.	()	()	()	()	()
3. My unit runs more effectively when it has slack in its budget.	()	()	()	()	()
4. To protect himself, a manager submits a budget that can safely be attained.	()	()	()	()	()
5. With some skill, a manager can use slack to improve his unit's performance.	()	()	()	()	()
6. Top management has a way to know if there is slack in a unit's budget.	()	()	()	()	()

budgeting	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. My reward reflects my contribution to the company.	()	()	()	()	()
2. The standards used to evaluate my performance are based on achieving my budget.	()	()	()	()	()
3. My promotion prospects are closely related to how my actual performance compares with expected performance (achieving budget goals).	()	()	()	()	()
4. My pay prospects are closely related to how my actual performance compares with expected performance (achieving budget goals).	()	()	()	()	()
5. Monetary incentives in my company are primarily tied to attaining the budget.	()	()	()	()	()
1. My explanation of budget variances is always included in my performance report/review.	()	()	()	()	()
2. I investigate favorable as well as unfavorable budget variances for my unit.	()	()	()	()	()
3. I am evaluated on my ability to meet the budget for my unit.	()	()	()	()	()
4. I provide information on my unit's budget performance to my subordinates.	()	()	()	()	()
5. I have to submit an explanation in written form about causes of large budget variances.	()	()	()	()	()
6. We include actual information from earlier budget periods in the current budget period for comparison purposes.	()	()	()	()	()
7. Management dislikes units failing to meet their budgets.	()	()	()	()	()
8. Management judges performance only on the basis of attaining budget goals.	()	()	()	()	()
1. My superior mentions budgets when talking to me about my efficiency	()	()	()	()	()
2. My status in the organization will improve if I receive an exceptionally favorable performance evaluation.	()	()	()	()	()
3. I have to carefully monitor costs in my area of responsibility because of budgetary constraints.	()	()	()	()	()
4. When evaluating my performance, my direct manager focuses on the quantitative aspects such as statistical figures rather than qualitative aspects such attitude, effort and initiative.	()	()	()	()	()
5. I am required to trace the cause of budget variances to groups or individuals within my department.	()	()	()	()	()
6. The budget in my department is set at a "tight" level to put pressure on employees to increase productivity and control costs.	()	()	()	()	()
7. My performance is hampered by the budget I receive.	()	()	()	()	()
8. I am required to report actions I take to correct causes of budget variances.	()	()	()	()	()
1. Budgetary targets have caused me to be particularly concerned with improving efficiency in my area of responsibility.	()	()	()	()	()
2. Achieving my budget goals is very important to me, so I work hard to achieve them.	()	()	()	()	()
3. I get increases in my budget by seeking incremental increases over past budgets.	()	()	()	()	()
4. I rely on my personal friendship with my immediate supervisor to get what I want in my budget.	()	()	()	()	()
5. When we prepare the budget we consider the variances from last year's budget.	()	()	()	()	()
6. My budget is easily achieved.	()	()	()	()	()

Budgeting	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
7. I obtain what I want in my budget by presenting my immediate superior with the facts.	()	()	()	()	()
8. I ask for inclusion of a small item in the budget, knowing that once it has been authorized I will be able to ask for a lot more in the future.	()	()	()	()	()
9. Budget preparation is monitored by the budget committee.	()	()	()	()	()
10. The budget is a good communication tool between me and my immediate supervisor.	()	()	()	()	()
11. Budgets are prepared for accountants not managers.	()	()	()	()	()
12. My budget would be more useful if it was written and tailored specifically to my situation.	()	()	()	()	()
13. My budget is an effective way of evaluating my work performance.	()	()	()	()	()
G. Rolling budget definition: a <u>method</u> in which a <u>budget</u> established at the beginning of an <u>accounting period</u> is continually amended to reflect <u>variances</u> that arise due to changing circumstances.					
1. We use rolling budgets in our department for all the items.	()	()	()	()	()
2. We use rolling budgets for some items in the budget.	()	()	()	()	()
3. Our rolling budget is normally calculated on abasis.(Circle one)					
a) 1 month	b) 2 months	c) 3 months	d) 4 months	e) 6 months	

Section B: Personal and organizational information: The following questions seek general information about you and your organization. Please provide your response by ticking or writing as appropriate.

1) What is your gender?	Male (...)			Female (...)		
2) What is your nationality	Libyan	American	Canadian	UK	Australian	Otherspecify
3) What is your age?	1	2	3	4	5	
	less than 20 years	21–30	31–40	41–50	Over 50	
4) What is the nationality (home-country) of the company you are working for (head office)?	Libyan	American	Canadian	English	Australian	
5) What is the level of your English skills?	None	Poor	Average	Good	Fluent	
6) Which best describes the main operation of your company?	Exploration	Refinery	Marketing	Others(specify)		
7) What is your level of education?	1	2	3	4	5	
	Primary school	High school	Diploma Level	Bachelor degree	Postgraduate level	
8) How long have you been working within this organization?	1	2	3	4	5	
	1–5	6–10	11–15	16–20	Over 20 years	
9) What position do you hold in this company?	Please specify.....					

10) How long have you been working in this position?

1	2	3	4	5
1—5 years	6 –10 years	11–15 years	16–20 years	Over 20 years

11) Have you worked in this industry in a country others than Libya? No (...). Yes (...) if yes for how long?

1	2	3	4	5	6
Less than 1	1–2	2–3	3–4	4–5	Over 5 years

12) What is your religion?	Muslim	Christian	Others..... (Specify).
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I highly appreciate your contribution to this research by completing the questionnaire. If you have any further comments that may help the researcher draw conclusions to this study please feel free to write your thoughts

here:

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.....

.....

If you would like to participate in an interview or would like a summary of the finding, please complete your contact detail here:

.....

.....

.....

.....

Appendix B: The Questionnaire Arabic



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تأثير تداخل الثقافات على عملية إعداد الميزانيات التقديرية: مقارنة تجريبية بين الشركات الأنجلو- أمريكية والشركات اللسة العاملة في قطاع النفط الليبي.

يمكن لشركات النفط أن تستفيد من الوصول بعملية إعداد ومعالجة الميزانيات التقديرية إلى أعلى مستوى عندما تمارس نشاطها في ظل ثقافات مختلفة.

باعتبارك احد العاملين في مجال النفط، يمكنك إدراك المشكلة التي يدرسها الباحث في هذا المجال بهدف الحصول على درجة الدكتوراه. إن مساهمتك تعتبر أساسية للوصول إلى نتائج حقيقية و مؤكدة يمكن ان تعود بالنفع علي هذه الصناعة.

المنافع المتوقعة من هذه الدراسة قد توفر معارف قيمة على كيفية اختلاف عملية إعداد ومعالجة الميزانيات التقديرية باختلاف الثقافات. هذا سيسمح للنتائج النهائية بأن تزيد من فعالية إعداد ومعالجة الميزانيات التقديرية بشكل أمثل في إطار التنوع الثقافي للشركات والعاملين بها.

يملأ الاستبيان بدون ذكر الاسم (اختياري) على صحيفة الاستبيان، يركز الاستبيان على أوجه إعداد ومعالجة الميزانيات التقديرية حسبما هو معمول به في شركتك.

إن شركتكم قد جرى اختيارها نظراً لأنها تمثل شركة ليبية أو أنجلو- أمريكية تعمل في قطاع النفط الليبي. لغرض التحليل وتقديم التقارير، فإن إجاباتك سوف ترفق مع تلك الإجابات الواردة من شركات أخرى تعمل في نفس القطاع. إن إجاباتك على هذا الاستبيان ستبقى في غاية السرية.

يرجى الإجابة على كافة الأسئلة في الاستبيان. إذا كان لديك أية استفسارات أو تتطلب أي توضيحات إضافية تتعلق بأي جزء من هذا الاستبيان، يرجى عدم التردد في الاتصال بالباحث أو بأحد المشرفين: د. كيرن جيمس أو د. جوزيف مولا.

إذا رغبت في المشاركة في مقابلة شخصية أو إذا رغبت في الحصول على ملخص بالنتائج التي سوف يتم التوصل إليها، يرجى الإشارة إلى ذلك في الصفحة الأخيرة من الاستبيان.

أود أن أعتنم هذه الفرصة للتعبير عن تقديري على تعاونكم من خلال قيامكم بتعبئة هذا الاستبيان. علماً بأن هذا المجهود من طرفكم سيساعد بشكل كبير على إنجاز هذا البحث إذا تمكنتم من إعادة الاستبيان في غضون 15 يوماً.

إن إجاباتكم النزيهة والمليئة بالأفكار تعتبر في غاية التقدير. وأشكركم على مساعدتكم التي لا تقدر بثمن من أجل بحثي هذا.

المخلص لكم

رمضان امحمد جويلي كنان

الجزء (أ): معلومات بشأن الميزانية: فيما يلي بعض العبارات التي تصف الكيفية التي قد يشعر بها العاملين حيال عملية إعداد ومعالجة الميزانيات التقديرية يرجى وضع علامة () في الفراغات التي تشير إلى الدرجة التي توافق أو لا توافق عليها لكل عبارة.

أوافق بشدة	أوافق	رأي محايد	لا أوافق	لا أوافق بشدة	أ
()	()	()	()	()	1. أنا اشترك في وضع كافة عناصر الميزانية التقديرية لقسمي.
()	()	()	()	()	2. إن مساهمتي في الميزانية التقديرية مهمة جداً.
()	()	()	()	()	3. يتم صياغة الميزانية التقديرية في شكلها النهائي عندما أكون راضياً عنها.
()	()	()	()	()	4. رؤسائي يطلبون وجهة نظري واقتراحاتي عند صياغة الميزانية التقديرية.
()	()	()	()	()	5. أنا بشكل مستمر أبادر بمناقشات تتعلق بالميزانية التقديرية مع رؤسائي.
()	()	()	()	()	6. الميزانية التقديرية بشكلها النهائي تشمل تغييرات قمت باقتراحها.
()	()	()	()	()	7. إن مساهمتي في صياغة الميزانية التقديرية تؤثر على رؤسائي عند اتخاذ قراراتهم النهائية بشأن الميزانية التقديرية.
()	()	()	()	()	8. أحضر ميزانيتي طبقاً لتعليمات الإدارة العليا.
()	()	()	()	()	9. أعقد اجتماعات رسمية مع بعض العاملين في اقسام أخرى عند إعداد الميزانية التقديرية.
ب					
()	()	()	()	()	1. سلوك رئيسي يدل على أنه يصغي إلى ما أقوله بشأن الميزانية التقديرية.
()	()	()	()	()	2. لدى شركتي إجراءات متاحة التي تسمح لي ببدء اقتراحاتي لتحسين عملية إعداد الميزانية التقديرية.
()	()	()	()	()	3. أجري مناقشات بناءً تتعلق بعملية إعداد الميزانيات التقديرية مع رئيسي وزملائي في العمل.
()	()	()	()	()	4. عادة ما أبدي طلباتي وأرائي ومقترحاتي فيما يتعلق بالميزانية التقديرية إلى رئيسي بدون أن يطلب مني ذلك.
()	()	()	()	()	5. أقدم اقتراحاتي من أجل تحسين نظام الميزانيات التقديرية.
()	()	()	()	()	6. التبريرات المقدمة من قبل رئيسي عند إعادة صياغة الميزانية التقديرية سديدة ومنطقية.
()	()	()	()	()	7. رئيسي يزودني بالشرح والتوضيح عن التغييرات في الميزانية التقديرية.
()	()	()	()	()	8. استلم تقارير مكتوبة أو شفوية توضح لماذا الميزانية التقديرية لا تعكس اقتراحاتي حيالها.
()	()	()	()	()	9. يزودني رئيسي بالنتائج (صدى العمل) في حينه بشأن القرارات التي تخص ميزانيتي التقديرية والآثار المترتبة عليها.
()	()	()	()	()	10. رئيسي يعلمني بشكل كامل وصريح حول كل ما يتعلق بميزانيتي التقديرية.
الميزانية المرنة: هي الميزانية التي توفر تقديرات لما تكون عليه التكلفة لأكثر من مستوى نشاط واحد					
()	()	()	()	()	1. نستخدم الميزانية التقديرية المرنة في قسمنا لكافة البنود.
()	()	()	()	()	2. إن تنبؤاتنا بالميزانية التقديرية للسنة القادمة تحسب لأكثر من مستوى نشاط واحد (حجم الإنتاج (المستهدفات)/المواد الخام/ الأيدي العاملة/الخ...).
()	()	()	()	()	3. في قسمنا نستخدم الميزانية التقديرية المرنة للمصروفات.
()	()	()	()	()	4. في قسمنا نستخدم الميزانية التقديرية المرنة للإيرادات.
تضخيم الميزانية التقديرية (الزيادات أو المبالغ في تقديرات الميزانية التقديرية)					
()	()	()	()	()	1. عندما تكون الظروف الاقتصادية جيدة، فإن صانعي القرار في لجنة الميزانية التقديرية يقبلون بمستوى معقول من الزيادات (تضخيم) في الميزانية التقديرية للقسم.
()	()	()	()	()	2. تعتبر الزيادات (تضخيم) في الميزانية التقديرية مفيدة لأنها تسمح بتنفيذ ما لا يتم اعتماده رسمياً.
()	()	()	()	()	3. قسمي يعمل بفعالية أكثر عند وجود زيادات (تضخيم) في ميزانيتي.
()	()	()	()	()	4. لحماية نفسه، يقدم المدير ميزانية تقديرية التي يمكن تحقيقها بأمان وبسهولة.
()	()	()	()	()	5. باستخدام بعض المهارات، يمكن للمدير أن يستخدم الزيادات (تضخيم) في الميزانية التقديرية لتحسين أداء قسمه.
()	()	()	()	()	6. الإدارة العليا لديها طريقة لمعرفة ما إذا كانت هنالك أية زيادات (تضخيم) في ميزانية القسم.
أوافق بشدة	أوافق	رأي محايد	لا أوافق	لا أوافق بشدة	

					بشدة
()	()	()	()	()	1. مكافأتي تعكس مدى مساهمتي في نشاطات الشركة.
()	()	()	()	()	2. إن المعايير المستخدمة في تقييم أدائي معتمدة على مدى تحقيق ميزانيتي التقديرية (المستهدفات).
()	()	()	()	()	3. إن جوانب ترفيقي مرتبطة بصورة قريبة إلى مقارنة أدائي الفعلي بأدائي المتوقع (تحقيق أهداف الميزانية).
()	()	()	()	()	4. إن جوانب مكافأتي وراتبي مرتبطة بصورة قريبة إلى مقارنة أدائي الفعلي بأدائي المتوقع (تحقيق أهداف الميزانية).
()	()	()	()	()	5. الحوافز النقدية في شركتي مرتبطة بصورة أساسية على تحقيق الميزانية التقديرية (المستهدف).
الانحرافات = (الفروقات بين الميزانية التقديرية والفعلية)					
()	()	()	()	()	1. توضيحاتي وتبريراتي للانحرافات في الميزانية التقديرية دائماً متضمنة في تقرير أدائي.
()	()	()	()	()	2. أنا أتقصى عن انحرافات الميزانية المرغوبة وكذلك الانحرافات الغير مرغوبة في قسمي.
()	()	()	()	()	3. أقيم تقييمي وفقاً لمقدرتي على تحقيق الميزانية التقديرية الخاصة بقسمي.
()	()	()	()	()	4. أقدم تقريرا دوريا بشأن أداء قسمي للميزانية التقديرية إلى رؤسائي.
()	()	()	()	()	5. عليّ أن أقدم بشرح كتابي بشأن الاسباب وراء الانحرافات الكبيرة في الميزانية التقديرية.
()	()	()	()	()	6. نقوم بتضمين معلومات فعلية من الميزانية التقديرية للسنة السابقة في الميزانية التقديرية للفترة الحالية لأغراض المقارنة.
()	()	()	()	()	7. الإدارة لا ترضى عن الأقسام التي تفشل في تحقيق ميزانيتها التقديرية.
()	()	()	()	()	8. الإدارة تقيم الأداء فقط على أساس تحقيق أهداف الميزانية التقديرية (المستهدف).
هـ					
()	()	()	()	()	1. يشير رئيسي إلى الميزانيات التقديرية عندما يتحدث إلي حول كفاءتي.
()	()	()	()	()	2. إن مركزي في المنظمة سوف يتحسن إذا حصلت تقرير تقييم أداء ايجابي (مرغوب) بصورة استثنائية بشأن أدائي.
()	()	()	()	()	3. يجب علي أن أراقب التكاليف بعناية في نطاق مسؤوليتي بسبب قيودات الميزانية التقديرية.
()	()	()	()	()	4. عند تقييم أدائي، يركز مديري المباشر على الجوانب الكمية مثل الأرقام الإحصائية أكثر من تركيزه على الجوانب الكيفية (النوعية) مثل الاتجاه والجهود والمبادرة.
()	()	()	()	()	5. من ضمن مهام عملي تتبع أسباب الانحرافات في الميزانية التقديرية وإرجاعها إلى شخص أو أشخاص داخل قسمي.
()	()	()	()	()	6. توضع الميزانية التقديرية في قسمي بأحكام للضغط على الموظفين وذلك لزيادة الإنتاجية ومراقبة التكاليف.
()	()	()	()	()	7. الميزانية التقديرية التي استلمها تعيق أدائي.
()	()	()	()	()	8. مطلوب مني تقديم تقارير عن الإجراءات التي أتخذها لتصحيح أسباب الانحرافات التي تحدث في الميزانية التقديرية.
و					
()	()	()	()	()	1. إن أهداف الميزانية التقديرية جعلتني مهتماً بشكل خاص بتحسين كفاءتي داخل مجال مسؤولياتي.
()	()	()	()	()	2. إن تحقيق أهداف ميزانيتي مهم جداً بالنسبة لي، لذلك أعمل بجد لأجل تحقيقها.
()	()	()	()	()	3. أحصل على زيادات في ميزانيتي التقديرية بطلب زيادات تراكمية من الميزانية السابقة.
()	()	()	()	()	4. أعول على صداقتي الشخصية مع رئيسي المباشر للحصول على ما أريد في ميزانيتي التقديرية.
()	()	()	()	()	5. عندما نقوم بإعداد الميزانية التقديرية نأخذ بعين الاعتبار الانحرافات في ميزانية السنة السابقة.
()	()	()	()	()	6. يمكن بسهولة تحقيق ميزانيتي التقديرية.
ز					
()	()	()	()	()	7. أتصل على ما أريد في ميزانيتي التقديرية بتقديم الحقائق إلى رئيسي المباشر.
()	()	()	()	()	8. أطلب تضمين بند صغير في الميزانية التقديرية، وأعلم بأنه بمجرد اعتماده، سأكون قادراً على طلب الكثير من ذلك البند في المستقبل.
أوافق بشدة	أوافق	رأي محايد	لا أوافق	لا أوافق بشدة	ز

()	()	()	()	()	9. لجنة الميزانية تتحكم في عملية اعداد الميزانيات التقديرية.
()	()	()	()	()	10. إن الميزانية التقديرية هي وسيلة اتصال جيدة بيني وبين رئيسي المباشر.
()	()	()	()	()	11. الميزانيات التقديرية تعدّ للمحاسبين وليس للمدراء.
()	()	()	()	()	12. ستكون ميزانيتي أكثر فائدة إذا كتبت وفصلت خصيصاً لوضعي.
()	()	()	()	()	13. إن ميزانيتي هي طريقة فعالة لتقييم أدائي للعمل.

تعريف الميزانية الجارية (المتدحرجة): هي الموازنة التي تعد عند بداية الفترة المحاسبية وتعديل بصورة مستمرة (يضاف شهر جديد لها كلما انقضى شهر منها) لتعكس الاختلافات التي تنشأ بسبب تغيير الظروف المحيطة.

س				
أوافق بشدة	أوافق	رأي محايد	لا أوافق	لا أوافق بشدة
()	()	()	()	()
()	()	()	()	()
1. نستخدم الميزانية الجارية في قسمنا لكافة البنود.				
2. نستخدم الميزانية الجارية في قسمنا لبعض البنود في الميزانية.				
3. تحسب الميزانية الجارية عادة على أساس..... (ضع دائرة على الإجابة)				
أ. شهر واحد	ب. 3 أشهر	ج. 4 أشهر	د. 6 أشهر	هـ. سنة

الجزء (ب): معلومات شخصية وتنظيمية: إن الأسئلة التالية تتطلب معلومات عامة عنك وعن منطقتك. يرجى اختيار الإجابة الصحيحة بوضع علامة أو بالكتابة حسبما هو مناسب.

1) ما جنسك؟	ذكر (....)	أنثى (....)
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2) ما هي جنسيتك؟	ليبي	أمريكي	كندي	بريطاني	استرالي	أخرى (حدد).....
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3) ما هو عمرك	1 أقل من 20 سنة	2 20-30	3 31-40	4 41-50	5 فوق 50 سنة
---------------	-----------------	---------	---------	---------	--------------

4) ما هي جنسية الشركة التي تعمل لديها (المكتب الرئيسي)؟

ليبية	أمريكية	كندية	إنجليزية	أسترالية
-------	---------	-------	----------	----------

5) ما هو مستوى مهارتك الإنجليزية	لا شيء	ضعيف	متوسط	جيد	ممتاز
----------------------------------	--------	------	-------	-----	-------

6) ما هو وصف العمليات الرئيسية لشركتك؟

استكشاف	تكرير	تسويق	أخرى (حدد).....
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7) ما هو مستوى تعليمك؟

ابتدائية	ثانوية	دبلوم	بكالوريوس	دراسات عليا
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8) كم مضى على مدة عملك في هذه الشركة؟

1 5-1	2 6-10	3 11-15	4 16-20	5 أكثر من 20 سنة
-------	--------	---------	---------	------------------

9) ما هي وظيفتك في هذه الشركة؟	يرجى التحديد.....
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10) كم مضى من الزمن وأنت تشغل هذه الوظيفة؟

1 5-1 سنوات	2 6-10 سنوات	3 11-15 سنوات	4 16-20 سنوات	5 أكثر من 20 سنة
-------------	--------------	---------------	---------------	------------------

11) هل عملت في هذه الصناعة في بلد غير ليبيا؟ لا (.....) نعم (.....) إذا كانت الإجابة نعم كم المدة؟

1 أقل من سنة	2 1-2	3 2-3	4 3-4	5 4-5	6 أكثر من 5 سنوات
--------------	-------	-------	-------	-------	-------------------

12) ما هي ديانتك؟	مسلم	مسيحي	أخرى (حدد).....
-------------------	------	-------	-----------------

أثمن عالياً مساهمتكم في هذا البحث بتعبئة هذا الاستبيان. إذا كانت لديك أي ملاحظات إضافية قد تساعد الباحث على استخلاص نتائج في هذه الدراسة يرجى التفضل بكتابة أفكاركم هنا:.....

إذا رغبت في المشاركة في مقابلة شخصية أو تود الحصول على ملخص للنتائج التي سيتم التوصل إليها، يرجى تعبئة بيانات يمكننا من خلالها الاتصال بكم هنا.....

Appendix C: Consent from**Consent Form**

Title of the research: Cross-cultural impact on the budgeting cycle: An empirical comparison between Western and Libyan companies operating in the Libyan oil sector

Researcher: Ramadan Kanan
 Doctoral student at the University of Southern Queensland (USQ).

Purpose of the research: This study seeks to identify how societal cultural dimensions affect budgeting processes by comparing Libyan and Western companies operating in the Libyan oil sector. It aims to identify the differences between Western and Libyan companies in their budget process and to explain why they are different. *Your participation will make a valuable contribution to the research. You have been identified for your knowledge and experience, and accordingly, are invited to participate in a conversationally based interview that will require between 30 and 40 minutes of your time.*

In a private setting you will be asked about your perception about the budgeting processes you are involved. There are no known physical, psychological, emotional or economic harms associated with your participation. You will be issued with a transcript of the interview for your approval prior to use.

The interview will help to know how budgeting processes differ between Western and Libyan companies operating in the Libyan oil sector.

Your confidentiality will be respected at all times. Your interview will be coded before it is transcribed, so that your identity will not be associated with your response.

Your participation is completely voluntary. You not only have the right to refuse to participate, but you can discontinue with your responses at any time of the interview. There are no negative consequences associated with this study whether you participate or not. Further you can direct any future concerns or queries to Ramadan Kanan at kanan@usq.edu.au.

The primary benefit that you can derive out of participating is in the contribution you are making to the under researched area of how budgeting processes differ between Western and Libyan companies operating in the Libyan oil sector. From your perspective there is potential for personal and professional growth from best practises identified in the study in terms of the budgeting process. Both Libyan and Western companies will benefit from this study to know the best practices in the two different cultures. *Once the study is completed there will be a presentation of the results to all participating individuals.*

Consent: I have read and understand the consent information. I am aware that my identity will only be known by the researcher or otherwise directed by me. By signing this consent form, I am agreeing to participate in the research study.

Participant / Interviewee	/	/	
	Month	Day	Year
Researcher / Interviewer	/	/	
	Month	Day	Year

Audiotape: I agree to an audiotape of the interview. To ensure accuracy, I understand that I have the opportunity to review the transcript prior to its use.

Participant / Interviewee	/	/	
	Month	Day	Year
Researcher / Interviewer	/	/	
	Month	Day	Year

The data derived from your participation will be protected and stored in accordance with the ethical guidelines for graduate researchers at the University of Southern Queensland.

You are encouraged to contact me (Ramadan Kanan) at kanan@usq.edu.au or +61(7)46312100 (ext. 1550) if you have any questions regarding the process or your participation.

If you have any ethical concerns regarding the implementation of the research project, you are welcome to contact The Secretary, Human Research Ethics Committee, University of Southern Queensland, Toowoomba, Queensland, Australia, 4350 or to telephone The Secretary at +61(7)46312956.

Appendix D: Summary of t-test for high educational level

Participation High educational level H1	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.810	.369	6.438	282	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	3.8812	.69336		
Libyan companies	183	3.2778	.78841		
Voice High educational level H2	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	14.316	.000	6.259	282	.000
Equal variances not assumed			7.015	272.968	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	3.977	.543		
Libyan companies	183	3.407	.822		
Explanation High educational level H3	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.984	.322	6.224	282	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	3.732	.732		
Libyan companies	183	3.170	.726		
Slack of budget High educational level H7	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.011	.915	-2.886	282	.004
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	2.881	.734		
Libyan companies	183	3.142	.726		
Bases of rewards High educational level H8	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	7.304	.007	22.651	282	.000
Equal variances not assumed			24.306	250.392	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	4.056	.520		
Libyan companies	183	2.318	.667		
Evaluate performance High educational level H9	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.258	.263	6.437	282	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	3.455	.743		
Libyan companies	183	2.892	.683		
Action towards variances High educational level H10	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	79.711	.000	39.513	282	.000
Equal variances not assumed			33.427	130.729	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	101	3.821	.520		
Libyan companies	183	1.964	.271		

Appendix E: Results of ANOVA for educational level

Voice Test of Homogeneity of Variances					Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.	
13.274	2	281	.000	Welch	52.611	2	114.959	.000	
				Brown-Forsythe	53.528	2	211.561	.000	
ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	183	3.407	.822
Between Groups	30.754	2	15.377	30.218	.000	Anglo-Americans	62	4.221	.443
Within Groups	142.995	281	.509			Libyans in Anglo-Com	39	3.589	.456
Total	173.749	283				Total	284	3.610	.783
(I) High Level of education for Comparisons		(J) High Level of education for Comparisons			Mean Difference (I-J)		Std. Error	Sig.	
Libyans in Libyan-Com High-Level of Education		Anglo-Americans			-.81467*		.08289	.000	
		Libyans in Anglo-Com			-.18264		.09513	.138	
Anglo-Americans		Libyans in Anglo-Com			.63203*		.09236	.000	
Explanation Test of Homogeneity of Variances					Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.	
2.468	2	281	.087	Welch	34.881	2	98.205	.000	
				Brown-Forsythe	42.054	2	159.733	.000	
ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	183	3.170	.726
Between Groups	34.064	2	17.032	35.127	.000	Anglo-Americans	62	4.022	.691
Within Groups	136.248	281	.485			Libyans in Anglo-Com	39	3.271	.536
Total	170.312	283				Total	284	3.370	.775
(I) High Level of education for Comparisons		(J) High Level of education for Comparisons			Mean Difference (I-J)		Std. Error	Sig.	
Libyans in Libyan-Com High-Level of Education		Anglo-Americans			-.85209*		.10232	.000	
		Libyans in Anglo-Com			-.10130		.12281	.712	
Anglo-Americans		Libyans in Anglo-Com			.75079*		.14231	.000	
Creating slack in budgets Test of Homogeneity of Variances					Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.	
5.138	2	281	.006	Welch	4.182	2	86.082	.018	
				Brown-	3.832	2	101.329	.025	

						Forsythe			
ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	183	3.142	.726
Between Groups	4.474	2	2.237	4.192	.016	Anglo-Americans	62	2.897	.634
Within Groups	149.947	281	.534			Libyans in Anglo-Com	39	2.854	.877
Total	154.421	283				Total	284	3.049	.738
(I) High Level of education for Comparisons		(J) High Level of education for Comparisons			Mean Difference (I-J)		Std. Error	Sig.	
Libyans in Libyan-Com High-Level of Education		Anglo-Americans			.24423*		.09687	.035	
		Libyans in Anglo-Com			.28738		.15049	.147	
Anglo-Americans		Libyans in Anglo-Com			.04315		.16205	.962	
Bases of rewards Test of Homogeneity of Variances					Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.	
13.783	2	281	.000		Welch	420.784	2	108.205	.000
					Brown-Forsythe	477.412	2	181.958	.000
ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	183	2.3183	.66721
Between Groups	207.717	2	103.859	300.430	.000	Anglo-Americans	62	4.3185	.38456
Within Groups	97.142	281	.346			Libyans in Anglo-Com	39	3.6410	.43223
Total	304.859	283				Total	284	2.9366	1.03790
(I) High Level of education for Comparisons		(J) High Level of education for Comparisons			Mean Difference (I-J)		Std. Error	Sig.	
Libyans in Libyan-Com High-Level of Education		Anglo-Americans			.67752*		.08471	.000	
		Libyans in Anglo-Com			-2.00024*		.06941	.000	
Anglo-Americans		Libyans in Anglo-Com			-1.32272*		.08499	.000	
Using variances to evaluating performance Test of Homogeneity of Variances					Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.	
2.616	2	281	.075		Welch	25.621	2	84.263	.000
					Brown-Forsythe	20.107	2	100.573	.000
ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	183	2.892	.683
Between Groups	22.671	2	11.336	23.035	.000	Anglo-Americans	62	3.568	.640

Within Groups	138.283	281	.492			Libyans in Anglo-Com	39	3.275	.861
Total	160.955	283				Total	284	3.092	.754
(I) High Level of education for Comparisons		(J) High Level of education for Comparisons			Mean Difference (I-J)		Std. Error	Sig.	
Libyans in Libyan-Com High-Level of Education		Anglo-Americans			.29291		.14337	.126	
		Libyans in Anglo-Com			-.67595*		.10308	.000	
Anglo-Americans		Libyans in Anglo-Com			-.38304*		.12372	.009	
Action towards variances Test of Homogeneity of Variances					Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.	
16.264	2	281	.000		Welch	912.357	2	81.797	.000
					Brown-Forsythe	936.435	2	118.058	.000
ANOVA						Descriptive	N	M	SD
	Sum of Squares	df	Mean Square	F	Sig.	Libyans in Libyan-Com	183	1.964	.271
Between Groups	236.292	2	118.146	1150.036	.000	Anglo-Americans	62	4.091	.453
Within Groups	28.868	281	.103			Libyans in Anglo-Com	39	3.392	.275
Total	265.160	283				Total	284	2.624	.967
(I) High Level of education for Comparisons		(J) High Level of education for Comparisons			Mean Difference (I-J)		Std. Error	Sig.	
Libyans in Libyan-Com High-Level of Education		Anglo-Americans			.69904*		.07252	.000	
		Libyans in Anglo-Com			-2.12761*		.06097	.000	
Anglo-Americans		Libyans in Anglo-Com			-1.42857*		.04847	.000	

Appendix F: Results from t-test for the high management level

Participation High Management level H1	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	5.929	.017	3.591	74	.001
Equal variances not assumed			3.846	72.765	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	4.166	.555		
Libyan companies	32	3.7656	.351		
Voice High Management level H2	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.348	.249	2.998	74	.004
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	4.187	.403		
Libyan companies	32	3.875	.504		
Explanation High Management level H3	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.717	.103	3.879	74	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	4.050	.695		
Libyan companies	32	3.468	.567		
slack of budget High H7 Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.272	.263	-.384	74	.702
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	2.909	.723		
Libyan companies	32	2.979	.863		
Bases of rewards H8 High Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	7.404	.008	10.916	74	.000
Equal variances not assumed			10.381	53.475	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	4.1420	.53754		
Libyan companies	32	2.5391	.74355		
evaluating performance H9 High Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.291	.260	2.909	74	.005
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	3.738	.655		
Libyan companies	32	3.328	.532		
action towards variances H10 High Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	15.083	.000	20.426	74	.000
Equal variances not assumed			22.080	71.262	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	44	3.988	.509		
Libyan companies	32	1.929	.299		

Appendix G: T-test for middle management

Participation H1 Middle Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.418	.123	3.074	103	.003
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	3.806	.595		
Libyan companies	68	3.343	.803		
Voice H2 Middle Management level	Levene's Test		t-test for Equality of Means		
Equal variances assumed	1.996	.161	3.159	103	.002
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	3.885	.567		
Libyan companies	68	3.448	.728		
Explanation H3 Middle Management level	Levene's Test		t-test for Equality of Means		
Equal variances assumed	2.717	.103	3.879	74	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	3.5405	.67637		
Libyan companies	68	3.1588	.77541		
slack of budget H7 Middle Management level	Levene's Test		t-test for Equality of Means		
Equal variances assumed	.495	.483	-2.084	103	.040
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	2.855	.735		
Libyan companies	68	3.147	.655		
Bases of rewards H8 Middle Management level	Levene's Test		t-test for Equality of Means		
Equal variances assumed	3.134	.080	13.204	103	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	3.9257	.50299		
Libyan companies	68	2.2978	.65114		
evaluating performance H9 Middle Management level	Levene's Test		t-test for Equality of Means		
Equal variances assumed	.051	.822	2.899	103	.005
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	3.270	.685		
Libyan companies	68	2.871	.667		
action towards variances H10 Middle Management level	Levene's Test		t-test for Equality of Means		
Equal variances assumed	22.578	.000	22.040	103	.000
Equal variances not assumed			18.734	47.986	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	37	3.667	.505		
Libyan companies	68	1.987	.276		

Appendix H: T-test for Low management

Participation H1 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.901	.344	1.813	147	.072
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.387	.694		
Libyan companies	115	3.110	.806		
Voice H2 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	8.601	.004	2.442	147	.016
Equal variances not assumed			3.100	86.169	.003
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.639	.537		
Libyan companies	115	3.263	.849		
Explanation H3 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.126	.147	2.177	147	.031
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.417	.625		
Libyan companies	115	3.116	.730		
slack of budget H7 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.350	.555	-1.690	147	.093
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.009	.814		
Libyan companies	115	3.255	.721		
Bases of rewards H8 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	4.713	.032	13.585	147	.000
Equal variances not assumed			16.426	76.847	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.970	.471		
Libyan companies	115	2.287	.674		
evaluating performance H9 Low Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.097	.150	3.331	147	.001
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.301	.799		
Libyan companies	115	2.835	.690		
action towards variances H10 Middle Management level	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	22.498	.000	27.610	147	.000
Equal variances not assumed			20.454	39.152	.000
Company's name	N	Mean	Std. Deviation		
Anglo-American companies	34	3.704	.476		
Libyan companies	115	1.959	.263		

Appendix I: results of ANOVA accountants and managers-Voice

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
9.657	5	324	.000	Welch	26.020	5	95.425	.000
				Brown-Forsythe	27.856	5	288.415	.000
ANOVA								
	Sum of Squares	df	Mean Square	F	Sig.			
Between Groups	39.311	5	7.862	17.038	.000			
Within Groups	149.512	324	.461					
Total	188.822	329						
Descriptive		N	Mean	Std. Deviation				
Anglo-American Managers		26	4.3077	.43190				
Libyan Managers in Anglo-Comp		27	3.6667	.45993				
Anglo-Americans Accountants		39	4.1474	.43194				
Libyan Accountants in Anglo-Comp		23	3.4348	.40744				
Libyans Managers in Libyan-Com		82	3.6341	.61262				
Libyans Accountants in Libyan-Comp		133	3.2782	.86255				
Total		330	3.5932	.75758				
(I) Games-Howell	(J) Comparisons among groups		Mean Difference (I-J)	Std. Error	Sig.			
Anglo-American Managers	Libyan Managers in Anglo-Comp		.64103 [*]	.12251	.000			
	Anglo-Americans Accountants		.16026	.10935	.687			
	Libyan Accountants in Anglo-Comp		.87291 [*]	.11997	.000			
	Libyan Managers in Libyan Com		.67355 [*]	.10840	.000			
	Libyan Accountants in Libyan Com		1.02950 [*]	.11300	.000			
Libyan Managers in Anglo-Comp	Anglo-Americans Accountants		-.48077 [*]	.11233	.001			
	Libyan Accountants in Anglo-Comp		.23188	.12269	.421			
	Libyan Managers in Libyan Com		.03252	.11141	1.000			
	Libyans Accountants in Libyan Com		.38847 [*]	.11588	.016			
Anglo-Americans Accountants	Libyan Accountants in Anglo-Comp		.71265 [*]	.10955	.000			
	Libyan Managers in Libyan Com		.51329 [*]	.09675	.000			
	Libyan Accountants in Libyan Com		.86924 [*]	.10187	.000			
Libyan Accountants in Anglo-Comp	Libyan Managers in Libyan Com		-.19936	.10860	.452			
	Libyan Accountants in Libyan Com		.15659	.11319	.737			
Libyan Accountants in Libyan Com	Libyan Managers in Libyan Com		-.35595 [*]	.10085	.007			

