

# THE RELATIONSHIP OF BUDGETARY PROCESS IN MANAGEMENT ACCOUNTING TECHNIQUES AND JOB PERFORMANCE

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## ABSTRACT

*The relationship between budgetary participation in budgetary process and job performance and job satisfaction has been examined in several management accounting studies with conflicting results. The conflicting evidence may reflect the influence of contingency variables. The purpose of the present study is to examine the relationship between budgetary participation and job performance and job satisfaction, moderated by locus of control, job relevant information and cultural dimensions. In this study, we analysed indeeply the results of prior researchs in the relationship between budgetary participation and job performance and job satisfaction. Specially for Indonesian context, we analysed the results of study which have done by Indonesian Researchers which used samples from the managers of manufacturing company.*

*The results of this study for Indonesian context, suggest that budgetary participation affect job performance and job satisfaction, locus of control did not seen moderate the effect of budgetary participation on job performance and job satisfaction, job relevant information did not influence job performance and cultural dimensions did not moderate the relationship between budgetary participation and job performasnce.*

**Keywords:** Budgetary participation, job performance, job satisfaction, locus of control, job relevant information and cultural dimensions.

## INTRODUCTION

Economic globalization of this magnitude can lead to local adoption of management techniques that have proven useful in other parts of the world. Yet, cultural differences may cause some management accounting techniques that work in one region to be less effective in others, perhaps because of behaviorally related consequences of those techniques. Since culturally different management can react differently to techniques, designers of management control systems may need to consider carefully the issue of potentially “incompatible” techniques, the budgetary process is included in those techniques that are not always compatible with a new environment (Nur Indriantoro, 1993).

Frucot and Shearon (1991) mentioned that the effectiveness of the management planning and control systems used in developing countries remains an important issue because as developing countries will become more industrialized and progressive they may import system and techniques from the more industrialized nations.

Indeed such importation may be encouraged by educational institution and consultants. Unfortunately, the progressive local firm may be importing systems from the industrialized world without considering the potential impact of cultural differences on the success of implementing such system.

Dakhli (2009) stated “importing management system developed in industrial country may create coherence problems. When management approaches are transferred and insufficient consideration given their cultural assumptions, they are likely to miss their objectives and top prove very disappointing.”

Prior research indicates that cultural differences have an effect on management control system (MCSs) such as a participative budget process (Leach-Lopez, 2002). In the context of organizational culture, multinational firm are faced with an additional problem arising from the multicultural setting in which they operate; i.e., the interaction of organizational members with diverse cultural backgrounds. According to Frucot and Sheron (1991) this cultural interface can occur at various levels within the organization; for example between the subsidiaries high and low-level management (i.e., when an American executive is sent to manage the Mexican subsidiary) or between the management of the subsidiary and the parent. The diverse cultural backgrounds translate into a lack of cognitive similarities which can significantly hamper communication at that interface (Stening, 1979).

Baker et al. (2009) studied the organizational identification by examining the impact of cultural values as antecedent on organizational identification in a multinational sales force. They concluded that collectivism, masculinity, uncertainty avoidance, and long-term orientation were found to be significantly correlation with organizational identification, but power distance was not related.

In the context of national cultural, Hofstede's (1983) study of cultural values found that Indonesian ranked high on the power distance index in contrast with the US., which was considered low in this measure. Conversely, the US ranked high in individualism and masculinity/femininity in contrast with Indonesia which was ranked low on those dimensions. The only dimension for which Indonesia was ranked approximately the same as the US was uncertainty avoidance.

In Indonesia, there are approximately three hundred native ethnic groups excluding the immigrant ethnic groups such as Chinese, Indian, and Arab. Of the three hundred of native ethnic groups, a major group is "Javanese". Each ethnic group has its own unique culture and in many cases these ethnic cultures are not compatible (Koentjaraningrat, 1975). The term ethnic culture refers to the culture that is common among people who perceive themselves as constituting a community because of ancestry, language, history, religion, or customs (Riggins, 1992). Frucot and Shearon (1991), for instance, suggest that culture influences values, and behavior of employees.

## **SIGNIFICANT OF THE STUDY**

In the relationship between budgetary participation and job satisfaction, some studies have found a positive relationship between budgetary participation and job performance (e.g., Brownell and McInnes, 1986, Dunk, 1993). Other studies have suggested that there is a weak positive relationship (Milani, 1975; Mia, 1988) or even negative relationship (Bryan and Locke, 1967; Kenis, 1979).

In the relationship between budgetary participation and job satisfaction, some studies have found a positive relationship between budgetary participation and job satisfaction (e.g., Cherrington and Cherrington, 1973; Milani, 1975; Collin, 1978). Other studies have suggested that there is a negative relationship (Vroom, 1960; Tosi, 1970).

Empirical evidence on the relationship between budgetary participation-performance and budgetary participation-satisfaction has been offered by several researches by using varieties mediating and moderating variables such as; *locus of control as moderating variable* (Brownell, 1981; Latham and Yuki, 1976; Yuki and Latham, 1978; Frucot and Shearon, 1991); Goal level, goal commitment and Task Relevant Knowledge as moderating variable (Vroom, 1960; Brownell, 1982c); *motivation as mediating variable* (Searfoss and Monczka, 1973 ; Ronen and Livingstone, 1975 ; Kenis, 1979, Merchant, 1981 ; Brownell and Mc Innes, 1986). *Job-relevant information as mediating variable* (Maria et al., 2007 ; Chong and Johnson, 2007 ;

Chong and Chong, 2002). *Job-relevant information as moderating* ( Maria, 2002 ). *Culture as moderating variable* (Baker et al.,2009). *Culture as mediating variable* (Maria et al.,2007).

In determining the relationship between participation in the budgeting process and job performance and job satisfaction, some researches has been use varieties theories, such as expectancy theory (eg. Brownell and McInnes, 1986), cognitive dissonance theory (eg.Tiller, 1983), person-environment fit theory (eg. Shield, Deng and Kato, 2000), organizational justice theory (eg. Libby,1999,2001) and role theory (eg. Chenhall & Brownell, 1988).

The current study may reveal that a firm owned by outside interests should exercise caution when applying participative budgeting techniques in Indonesia. While the result would not necessarily be generalizable to countries other than Indonesia, a multinational firm's management may wish to consider more thoroughly job relevant information and cultural differences between management's country of origin and the locality where their firm operates. Hopefully, findings in this study can provide a starting point for such considerations, i.e., the study hopes contribute to the behavioral and management accounting.

The current study may also lead management control system designers in Indonesia to consider using or developing techniques in the budgetary process that are appropriate for this region (It is mean that the study hoping contribution to the practition)..

In other words, the result of this study can give contribution to improve theory that related to management and accounting knowledge and also to the practice of participative budgeting of manufacturing firms and as reference for research in the future who want to work in the field of managerial accounting.

## **FRAMEWORK OF THE STUDY**

### **Participative Budgeting**

Participation is considered to be one of the critical design factors that can significantly impact an organizations overall effectiveness. The effect participation are the generally considered positive with respect to morale, motivation, performance, job satisfaction, and a subordinates attitude toward job, superior, and job company.

### **Job Performance**

Job performance is a factor that can improve organizational effectiveness. Maria et al. (2007) found that there are strong associations between budget participation and performance for both U.S. manager working in the U.S. and Mexican managers working for U.S. controlled maquiladoras in Mexico. Maria et al. (2009) found that are strong association between budget participation and performance for both sample of managers (U.S. managers and South Korean managers working for U.S. controlled companies).

### **Job Satisfaction**

Chenhall (1986) examined the role of subordinate and superior authoritarianism as a moderating variable in a participative budgeting environment. He argued that the equivocal results of previous studies may be a consequence of examining the personality of only one member of the group involved in the participative process, usually the subordinate. He found that homogeneous authoritarian dyads (subordinate and superior were matched) were positively associated with subordinate job satisfaction and budgetary attitudes.

### **Locus of Control**

Licata et al. (1986) examined the effect of locus of control on the relationship between participation and the performance of both superiors and subordinates in a participative

budgeting environment. The results of their experiment indicated that "internal" managers were willing to allow subordinates greater participation than were "external" managers.

### Cultural Dimensions

Cultural dimension as a moderating variable. This construct was popularized by Hofstede's (1980) original work, but later, Hofstede and Bond (1988) identifies the five primary dimensions characterizing a culture as: (a) individualism/ collectivism, (b) power distance, (c) masculinity/femininity, (d) uncertainty avoidance, and (e) time orientation.

### Job-Relevant Information (JRI)

The positive performance effect of job relevant information provided by Campbell and Gingrich (1988). Chong and Johnson (2007) confirmed that higher levels of budgetary participation led to increased job relevant information under condition of higher task uncertainty. An argument could be made that increased communication would in turn reduce ambiguity at work. Thus JRI should positively correlate to job satisfaction.

Lau and Tan (2003) found a positive relationship between job relevant information and satisfaction. Insofar as job relevant information reduces role ambiguity and satisfaction theorized and found by Chenhall and Brownell's (1988).

The model that is employed by the present study depicted in figure 3.1.

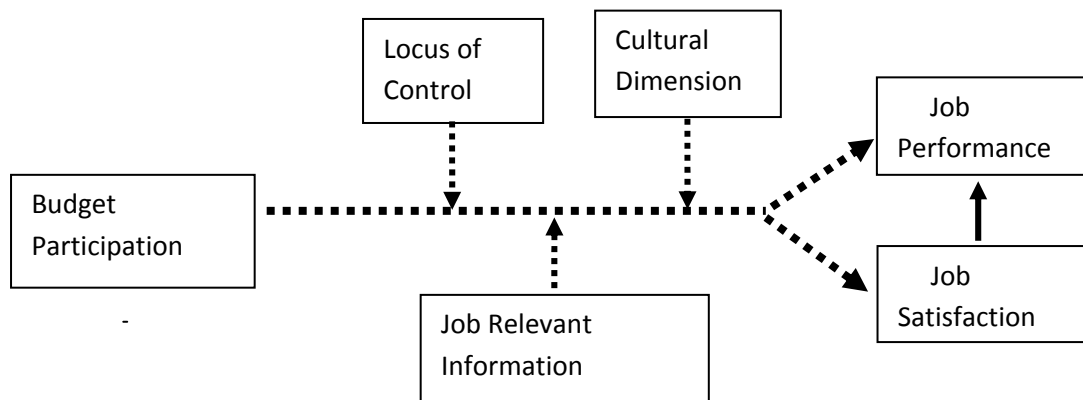


Figure 3.1 An Expanded View for the Present Study of Relationship between Participative Budgeting and Job Performance and Job Satisfaction

## BACKGROUND THEORY

### Budgetary Participation and Performance Positive Relationship.

Brownell (1982 c) hypothesizes that there is no significant interaction between supervisory evaluated style and budgetary participation affecting performance. The results indicate that the impact of supervisory evaluation style on performance is moderated by budgetary participation, which in turn, exerts a substantial positive influence on performance.

Brownell (1983) in another study, investigating the effect of participative budgeting and leadership style on performance. Brownell hypothesized that there is a significant interaction between participation and leadership style affecting performance. The results of the study provide evidence that performance is significantly positively affected by the interaction between participative budgeting and the leadership style of consideration. Subordinates perceive leaders believed to have high levels of consideration as supportive and helpful. He states that under certain leadership conditions, participation has a positive significant effect on performance; and under certain conditions the reverse is true. This finding is important because it indicates that

when the consideration leadership style is used, it generates greater participation, which results in higher performance.

Brownell and McInnes (1986) investigate the relationship of budgetary participation to motivation and performance among middle-level managers in three manufacturing firms. Brownell and McInnes hypothesized that there is a positive relationship between motivation and performance and any observed relationship between participation and performance will be attributable to the indirect effect of participation, operating through motivation, to affect performance.. Brownell and McInnes conclude that participation has a direct correlation with performance, but fail to support the prediction of a mediating effect of motivation on the participation-performance linkage.

Nouri and Parker (1998) indicate the link between the difficulty of budget goal and performance. The budget goal difficulty reduces the commitment of organization and the commitment of organization improves performance.

Chong and Chong (2002) indicate that participative budgeting affects budget goal commitment which in turn it affects the acquisition of job relevant information which then affects performance. Wentzel (2002) proves that participative budgeting affects fairness beliefs, which in turn it affects the goal commitment which then affects performance.

### **Negative Relationships**

Stedry (1960) investigated the relationship between the types of goals represented by a budget employed in management practice and individual performance. Specifically, Stedry studied the differences in performance across “implicit,” “medium,” “high,” and “low” budget conditions and concludes that participation in setting budget goals is negatively related to performance.

Bryan and Locke (1967) investigated the relationship between participative set goals and performance. Specifically, they studied individuals with low motivation versus those with high motivation in a laboratory experiment. Subjects were given tasks and told to “do their best” or were assigned a specific goal. The results of the study indicate that assigning goals to subjects with low motivation increases performance. On the other hand, the results indicate that assigning goals to highly motivated subjects has a negative effect on performance.

Hopwood (1976) in a literature survey indicates that an increase participation in decision making improves morale, but the effect on productivity and performance is ambiguous. In some circumstances participation was found to increase productivity and in others decrease productivity.

Kenis (1979) reported a negative correlation between participation and performance. Locke and Schweiger’s (1979) literature review in the organizational behavior area conclude that there is no consistent evidence of the participation positive effect on performance.

Gul et al. (1995) found budgetary participation to be negatively related to job performance in less-decentralized organizations. Gul et al. (1995) reported that increased participation improved performance in environmentally uncertain situations, but hampered performance in situations of low uncertainty.

### **Insignificant Relationships**

Milani (1975) investigated the effects of budgetary participation on attitudes and performance. Results of the study indicate that there is no significant relationship between participation and performance.

Kenis (1979) examined the effects of budgetary goal characteristics on job related attitudes, budget-related attitudes, and self-rated performance. Specifically, Kenis investigated the

hypothesis that participative budgeting, budget goal clarity, and budgetary feedback have a positive effect on budgetary performance and job performance. The results indicate that participative budgeting and budget goal clarity are both positively related to budgetary performance. However, the findings fail to support the hypothesized positive effects of participative budgeting on the job performance of managers.

Mia (1989) examined the effects of participative budgeting and job difficulty on managerial performance by investigating the interaction of participation and job difficulty on performance. Mia hypothesized that managerial performance increases in circumstances of high (low) job difficulty and high (low) participation. The results support the hypothesis, indicating that an interaction between high (low) job difficulty and high (low) participation leads to higher managerial performance. However, the analysis does not examine the potential for a direct relationship between participation and performance.

Dunk (1989) investigated the effects of budget emphasis and participative budgeting on managerial performance. The study's results indicate that the interaction effect is significant; however, the interaction tends to decrease performance rather than increase it as hypothesized. The study's model also allows the direct effect of participation on performance to be measured. The findings fail to indicate a significant relationship between participation and performance. This particular result supported the non significant relationship found by Brownell and Hirst (1986) but contradicted the significantly positive relationship found by Brownell (1982c).

Wentzel (2002) examined whether perceived fairness in the budgeting process improved performance by increasing managers' commitment to budgetary goals. Specifically, Wentzel hypothesized that the impact of participative budgeting on performance (budgetary and managerial) is significant when fairness perceptions and goal commitment act as mediating variables in the model. Additionally, Wentzel examined the direct relationship between participation and both budgetary and managerial performance measures. The study's results support these propositions; participative budgeting leads to a sense of fairness resulting in higher budgetary goal commitment, thus enhancing performance. However, the findings do not provide evidence of a direct relationship between participation and performance, suggesting that participation does not directly influence performance; rather, participation leads to other factors which in turn increase performance. Wentzel attributed the non-significant relationship between participation and performance to the complexity of the budgetary process.

### **Budgetary Participation and Locus of Control**

Swieringa and Moncur (1975) studied the effects of participative budgeting on managerial behavior. They discover that participation is an important predictor of budget related behavior. Their study cites locus of control as one of the attitudinal variables which best predicts the budget related behavior of managers.

Phares (1976) notices the difference in behavioral patterns between the internals and the externals. The internals (1) pose a greater effort to control their environment, (2) demonstrate superior learning, and (3) seem to be more adept with information.

Brownell (1981) focused on the moderating effects of individuals' locus of control on the participative budgeting and managerial performance relationship in a laboratory setting. While previous studies examined attitudes such as job satisfaction, morale, and attitudes toward the job and company, this study introduces and examines a personality variable (i.e., locus of control). Locus of control is the degree to which individuals accept personal responsibility for what happens to them. Individuals with an internal locus of control believe that they are responsible for what happens to them, while individuals with an external locus of control believe that they are not responsible for what happens to them. The results indicate that participative budgeting has a positive effect on performance for individuals with an internal locus of control and a negative effect for individuals with an external locus of control. Additionally, Brownell

examined the direct relationship between participation and performance and found a significantly positive association between the two. In an effort to validate and extend the findings of Brownell (1981), Brownell(1982a) examined the effects of participative budgeting and locus of control on performance and job satisfaction in a field setting. The results of this study indicate that the interaction between participation and locus of control significantly affect performance, with internally oriented individuals having higher performance than externally oriented individuals.

According to Lefcourt (1991). The locus of control construct differs from other constructs In that it is used primarily as a personality characteristic, an individual difference that is assumed to have some stability and generalization.

Hofstede (1968) discovers that employees' participation having a high need for independence correlates with improved performance. The internal-external feelings of locus of control are the most important predictors of the managers' methods to achieve their budgets which tend to be accepted by others and the managers tend to be influential in the budgeting process and have a positive attitude toward budgeting.

In a laboratory experiment, Likata et al. (1986) examined the participative relationship between superior and subordinates. The finding of laboratory experiment indicate that locus of control also may influence the behavior of superiors involved in the participative budgeting process in accepting the inputs of their subordinates, and internal managers are willing to allow subordinates greater participation than are external managers .

Latham and Yukl (1976) and Yukl and Latham (1978) detected no moderating effect of locus of control on the relationship of participation and performance. Dosset et al. (1979) discover similar performance about the relationship between participation and performance as of Latham and Yukl (1976) and Yukl and Latham (1978). Murray (1990) argues that the results of these three papers are not very informative since the mechanism by which the locus of control can moderate the correlation between participation and performance is experimentally constrained.

Brownell (1982 a) studied the correlation between budgetary participation and performance. In this study he discovers that there is no correlation between the two variables. He argues that conditional factors are at play that may affect the correlation of the two variables. But he discovers a moderating effect of locus of control on the correlation between participation and performance in an experimental setting (Brownell 1981) and in a field setting (Brownell 1982 b).

Brownell (1982 b) examined the moderating effect of locus of control personality variable on the correlation between budgetary participation and subordinates' performance. The results show that participation has a positive correlation with performance and the correlation is stronger among internals than externals. The correlation between participation and locus of control affecting the performance is significant. Brownell also indicates that budgetary participation is most effective for internally oriented individuals. He concludes that internals perform best in high participation conditions while relatively extreme externals perform best in low participation conditions.

In a laboratory experiment, Licata et al. (1986) examined the participative correlation between supervisors and subordinates to discover the effect of locus of control on the supervisors' behavior involving in the budgetary process. Licata et al. discover that locus of control may affect the supervisors' behavior involved in the participative budgeting process in accepting the subordinates' inputs. Licata et al. conclude that internal managers are willing to have subordinates' greater participation than the external managers. They argue that external managers tend to be authoritarians and tend to subvert the participative process by refuting the subordinates' inputs. Internal managers tend to use a friendly persuasive approach and are most

likely to accept the participative format. The results support the hypothesis that internal managers are willing to have greater participation of subordinates than those of external managers.

In his literature research, Murray (1990) concludes that budgetary participation has a favorable affect on individuals' performance classified as internals and adversely affects individuals' performance classified as extreme externals. Murray suggests that in respect to the locus of control moderator, companies should follow a participatory budget setting. He believes that the results indicate that only in the case of extreme externals should a company consider to follow an assigned or a mandatory budget setting.

### **Budgetary Participation and Job Relevant Information**

Job relevant information is information that facilitates job-related decision making (Kren, 1992). Literature on accounting (Baiman 1982; Baiman and Demski 1980; Tiessen and Waterhouse 1983). has identified two main types of information in organizations: First, Decision influencing, in which information manager's behavior is collected for the purpose of performance evaluation. Second, Job relevant information, in which information obtained will help a manager to improve his/her choice of action through better informed efforts.

Baiman (1982), Tiessen and Waterhouse (1983) call job relevant information as ex-ante information. Job relevant information provides the manager with a better understanding of decision alternatives and actions needed to reach objectives (Locke et al. 1986).

Charlos and Haka (1990), in most budgetary situation, performance determined by jointly environmental factors, managerial skills, and effort. Job relevant information can improve performance because it allows more accurate predictions of environmental states and thus allow more effective selection of appropriate course of action (Kren, 1992). Campbell and Gingrich (1986), in their experiment provided evidence supporting the positive performance effects of job relevant information. Campbell and Gingrich (1986) discover that performance can be improved by the use of job relevant information. They hypothesized that job relevant information gives more accurate predictions of environment and effective selection of appropriate courses of action. They discover that participating programmers exposed to job related information significantly outperformed those not exposed to it. However, the improvement of performance is found only when a project is complex and not found for simple projects.

According to Kren (1992), budgetary participation can similarly facilitate the acquisition and use of job relevant information. Kren (1992), in his study concluded that increased budget participation leads to increased job relevant information and that increased job relevant information leads to increased performance.

Lau and Tan (2003) find a significant path coefficient linking budget participation and job satisfaction among Singaporean managers, and find a positive relationship between job relevant information and satisfaction.

Mia (1989) made a survey to middle level managers in six companies and proposed that perception of job difficulty moderate the relationship between budgetary participation and performance because participation provides valuable information for difficult jobs, and found a positive correlation between participation and performance only when the job difficulty was high.

Chenhall and Brownell (1988) proposed the ambiguity of role as an mediating variable in the linking between budgetary participation and performance. In a survey they discover that participation reduces the ambiguity of role and which improved performance. According to Kren (1992), job relevant information and role ambiguity are similar constructs in that the latter



reflects the extent to which managers understand their duties and responsibilities, while the former is a measure for the information available to managers to accomplish job-related tasks.

Chong and Chong (2002) investigated the budget goal and informational effects of participative budgeting on job performance. They hypothesized that

- (1) Participative budgeting and budget goal commitment are positively related;
- (2) Budget goal commitment and job-relevant information are positively related; and
- (3) Job-relevant information and job performance are positively related.

The findings support the theoretical model. Specifically, Chong and Chong found that participation and performance are positively related through the mediating effects of goal commitment and job relevant information. While there is no specific hypothesis testing mediation, they used a type of structural equations model that allows sequential testing of the interactions.

### **Budgetary Participation and Job Satisfaction**

Budgetary participation and job satisfaction has long been recognized as an important issue in organization. This is perhaps one of the reasons why the relationship has been central to so much organizational research for more than fifty years since the study by Argyris (1952). For instance, Shields and Shields (1998) review of the literature on budgetary participation reveals that a large number of the 47 studies on budgetary participation, investigated the participation – job satisfaction relationship.

### **Positive Relationship**

Cherrington and Cherrington (1973) conducted an experiment designed to test the effects of budgetary control and reward contingencies on performance and satisfaction. Their study addressed the optimal conditions of budget participation and reinforcement contingencies as means of maximizing both performance and satisfaction. The study supported the positive effects of participation on job satisfaction and job performance.

Swieringa and Moncur (1975) studied some effects of participative budgeting on managerial behavior. They found that participation was an important predictor of budget-related behavior. In addition, their study cited locus of control as one of three attitudinal variables which were the best predictor of managers' budget-related behavior. They discovered that three of the attitudinal variables loaded on a single factor correlated significantly to job satisfaction.

Kenis (1979) empirically examined some effects of budgetary goal characteristics (dimensions of budgeting style) on job-related attitudes (job satisfaction, job involvement, and job tension), budget-related attitudes (attitude toward budgets and budgetary motivation), and performance (budgetary performance, cost efficiency, and job performance) of lower-level managers in industry. The study found that budgetary participation in this setting tended to have positive and significant effects on job satisfaction. But the study found that budgetary participation was unrelated to job performance. Kenis, however, cautioned that he did not include mediating situational variables: thus, such variables as personality and internal needs of managers, goal acceptance, reward expectancy, and perhaps organizational and environmental variables as well, were thought to be capable of influencing the relationships.

Brownell (1983) studied the role of leadership style as a moderator variable with respect to the effect of participative budgeting on performance and job satisfaction. His study indicated an interaction between consideration and structure as these variables affected performance and a major effect of consideration on Job satisfaction. In addition, he found that consideration had positive effects on job satisfaction for all levels of participation. However, positive effects of consideration on performance occurred only under conditions of high participation. Moreover, he found that initiating structure influenced job satisfaction positively only under conditions of low participation. Brownell found also In this 1983 study that there is an interaction between consideration and initiating structure under conditions of high participation.

Chenhall and Brownell (1988) studied the effects of participative budgeting on job satisfaction and performance by examining how role ambiguity affects the participation satisfaction/performance linkage. Role ambiguity is believed to be present when the required behaviors and expected performance levels are not clear to individuals. These researchers hypothesized that participation reduces role ambiguity, which in turn enhances job satisfaction and subordinate performance. The results of the study support their predictions that participation reduces role ambiguity and that lower role ambiguity leads to higher job satisfaction and subordinate performance. Chenhall and Brownell also found that, with respect to subordinates, participation is significantly related to job satisfaction but not to performance.

Frucot and Shearon (1991) find a significant positive relationship between budget participation and satisfaction among Mexican managers working at the high levels of companies that are less than 100 percent foreign-owned.

Lau and Tan (2003) find a significant path coefficient linking budget participation and job satisfaction among Singaporean managers.

### **Negative or Insignificant Relationship**

Tosi (1970) replicated Vroom's (1960) study using the same methodology. He found that differences in personality categories (authoritarianism and need for independence) did not produce different relationships between participation and the dependent variables (satisfaction and effectiveness). Tosi failed to corroborate Vroom's findings on the personality/participation effects relationship. Tosi suggested that the lack of similarity between subjects, the organizations, and the specific characteristics of the job could each be factors that contributed to the differences in his findings.

Research by Carroll and Tosi (1973) indicate that participation does not improve attitude and job satisfaction. They suggested that the effect of participation on job satisfaction is conditioned by perceived legitimacy of participation and the extent of participative management practices spread throughout the organization.

Brownell (1982a) examined the effects of participative budgeting and locus of control on performance and job satisfaction in a field setting. The results indicate that participation does not have a significant direct effect on job satisfaction, but that individuals' locus of control has a moderating effect on the relationship between participation and job satisfaction.

Frucot and Shearon (1991), by using Mexican managers, examined whether cultural differences affect the previously identified interrelationship of individual locus of control and participation in the budgeting process as it impacts managerial performance and satisfaction. They hypothesized that in Mexico, the degree of participation in budgetary process does not lead to higher satisfaction, and locus of control does not have, through an interaction effect with budgetary participation, a significant effect on satisfaction. They concluded that participation alone positively affects the overall satisfaction of Mexican Managers. It seems that internals are not significantly more satisfied with high budgetary participation.

### **Cultural Dimensions**

Kroeber and Kluckhohn (1952), presented a comprehensive definition of culture as. "Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artifacts: the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, and on the other, as conditioning elements of future action".

Tefstra and David (1985), provided definition of culture : “ views the construct as a learned, shared, compelling, interrelated set of symbols whose meanings reflect a set of orientations for members of a society. These orientations, taken together, provide solutions to problems that all societies must solve if they are to remain viable “

Parera and Matheus (1990) defined culture as: “the total way of life of a people: the social legacy the individual acquires from his group: a way of thinking, feeling and believing: a storehouse of pooled learning: learned behavior.

Hofstede (1994) defined culture as “the collective programming of the mind which distinguishes the member of one group or category of people from those of another”

According to Hofstede (1997) “The core of culture ... is formed by values. Values are broad tendencies to prefer certain states of affairs over others.”

Hofstede (1990) initially proposed four distinct dimension or value to describe what he defined as “national culture” These included : (1) uncertainty avoidance, (2) power distance, (3) masculinity/femininity, (4) and individualism/collectivism. Later, Hofstede and Bond (1988) added a fifth dimension, now referred to as (5) time orientation.

According to Baker et al. (2009) : Not only do these five cultural values differ among nations (Dwyer,Mezak, & Hsu,(2005), but they vary between individuals in the same nation (Clugston, Howel, & Dorfman, (2000) . That is, cultural values are disparate both between and within cultures (Triandis,1995). While the majority in a particular country maybe high on individualism, there will likely be others who are high on collectivism (e.g., Wasti,2003).

### **Job Performance and Job Satisfaction Relationships**

The relationship between job performance and job satisfaction has been the focus of numerous studies for more than five decades (Norris et al, 1986). One of the primary conclusions that can be drawn from this body of research is that job performance – job satisfaction relationships are complex (Jacobs & Soloman, 1977).

The speculation that job satisfaction is related to performance dates back to the early days of the field of Industrial/Organizational Psychology (e.g., Kornhauser & Sharp, 1932). Throughout the years, organizational theorists have advanced several viewpoints regarding the nature of the satisfaction-performance relationship: (1) satisfaction causes performance; (2) performance causes satisfaction; (3) the satisfaction-performance relationship is moderated by a number of other variables; or (4) both are caused by an exogenous variable. Some moderators examined in past research include the contingency of rewards (e.g., Jacobs & Solomon, 1977; Lawler, 1973), situational constraints (e.g., Bhagat, 1982; Herman, 1973), self-esteem (e.g., Jacobs & Solomon, 1977; Lopez, 1982), pressures for production (Triandis, 1959), and reciprocity norms (Organ, 1977). Each of these proposed relationships has been investigated by numerous researchers. Yet there remains no clear consensus on which explanation is most valid across all settings or the circumstances in which each explanation is most valid. Furthermore, the majority of empirical findings published on this topic point to the apparent conclusion that the relationship between satisfaction and performance is weak at best. Nonetheless, many researchers continue to pursue the investigation of this relationship largely because of the apparently commonsensical link between the two variables. While most people associated with the human relations movement focused on improving performance through satisfying employees’ needs, research results contradicted this underlying assumption (e.g., Katz, Maccoby, Gurin, & Floor, 1951; Katz, Maccoby, & Morse, 1950). These researchers found no differences in satisfaction between high and low performance groups, and, in some cases, concluded that those with lower performance levels reported higher satisfaction. Brayfield and Crocket (1955) reviewed existing literature and profoundly changed the nature of investigations regarding this relationship when they

concluded that there was little evidence of a connection between employee attitudes and their performance. Many researchers now consider the relationship between job satisfaction and performance among employees to be what Chapman and Chapman (1969) called an “illusory correlation” – a perceived relationship between two variables that we logically or intuitively think should interrelate, but, in fact, do not.

### **INDONESIAN CONTEXT**

Candra (2007) studied the influence of budget adequacy and job-relevant information as variable mediating on the relationship between budget participation and managerial performance. He distributed questionnaires to 900 production managers or chief operational officer or production supervisor at garment and textile company in West Java and Banten. The result of research showed that budget participation did not influence directly managerial performance, job-relevant information did not influence budget adequate and budget adequate did not influence managerial performance. However, the study showed that budget participation influenced budget adequate, budget participation influenced job-relevant information, and job-relevant information influenced managerial performance.

Gozali and Yusfaningrum (2005) analysed the influence of budget participation on managerial performance, by introducing goal commitment and job relevant information as intervening variable. They used data by obtaining ideas or perceptions of managers/chief leveled as managers from 155 manufacturing company listed at Jakarta stock exchange (Bursa Efek Jakarta). They hypothesized that there are positive relationship between budget participation and job-relevant information. Their conclusion that budget goal commitment and job-relevant information as intervening variable weaken influence managers participation in compose budget toward their performance on managerial activities.

Nur Indriantoro (1993) analysed the effect of participative budgeting on job performance and job satisfaction with locus of control and cultural dimensions as moderating variables in Indonesia, by using more than 100 companies as samples. Nur Indriantoro (1993) concluded that, participative budgeting in Indonesia positively affects job performance. These findings were in line with many prior research results. In Indonesia, locus of control did not seem to moderate the effect of participative budgeting on job performance. Also this study failed to find any moderating effect of three cultural dimensions that were examined on the relationship between participative budgeting and job performance. With respect to job satisfaction, this study found that participative budgeting in Indonesia positively affect job satisfaction. At the same time, the study revealed that locus of control did not moderate the effect of participative budgeting on job satisfaction.

### **CONCLUSION**

The results of the studies on the relationship between participative budgeting and job performance are varied, some studies found significant positive effect relationship (e.g. Frucot and Shearon, 1991; Leach-Lopez et al., 2002, 2007, 2009; Cherrington and Cherrington, 1973). Other suggested insignificant effect relationship (e.g. Brownell and Hirst, 1986; Milani, 1975), or even a negative relationship (Bryan and Locke, 1967; Stedry, 1960). The results of the studies on the relationship between participative budgeting and job satisfaction are also varied, some studies found positive relationship (e.g. Lou and Tan, 2003; Chenhall and Brownell, 1988), and other suggested negative or insignificant relationship (e.g. Brownell, 1982a, Carol and Tosi, 1973; Tosi, 1970).

In the context of Indonesia, participative budgeting positively affect job performance and job satisfaction, locus of control did not seem moderate the effect of participative budgeting on job performance and job satisfaction, job relevant information did not influence job performance

and cultural dimensions did not moderate the relationship between participative budgeting and job performance.

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