

# THE ROLE OF PROCEDURAL JUSTICE THEORY IN PARTICIPATIVE BUDGETING AND ITS IMPACT ON JOB PERFORMANCE AND JOB SATISFACTION MODERATED BY CULTURAL DIMENSION: A LITERATURE REVIEW

SLAMET SUGIRI

Universitas Gadjah Mada

NASUHI HIDAJAT

Pertamina

In this paper we review the notions of participative budgeting, procedural justice, cultural dimensions, and job performance as well as job satisfaction. We learn from this review that previous studies find inconsistent findings on the relationship between participative budgeting and job performance and job satisfaction. Most studies focus on the consequences rather than the antecedents of participative budgeting. We also learn from reviewing the extant theories on participative budgeting that empirical studies on the relationship between participative budgeting and job performance and job satisfaction use a procedural justice concept as the underlying theory. Since the procedural justice, viewed from psychological standpoint, is one of the antecedents to participative budgeting, we posit that the inconsistent findings aforementioned are caused by lack of attention to the antecedents of budgetary participation. Different cultures among nations may also cause different effects of participative budgeting on job performance and job satisfaction. Thus, we still have a good room to conduct empirical studies to confirm whether procedural justice can enhance the association of participative budgeting with job performance and job satisfaction, especially using subjects from nations that possess different culture from American.

## INTRODUCTION

In this paper we review studies focusing on the effect of participative budgeting on job performance and job satisfaction based on procedural justice theory. We specifically review the notions of participative budgeting, procedural justice, cultural dimensions, and job performance as well as job satisfaction. This literature review is important for those who are interested

in conducting empirical studies on participative budgeting for the following reasons. First, it provides readers with references on some empirical research papers as well as theoretical ones in participative budgeting topic. Second, it can possibly be considered as a good map of several important studies on participative budgeting conducted in the past. Third, it provides a recommendation for possible future research in participative budgeting that researchers might do.

This paper consists of six sections—sections A to F. In section B of this paper, we discuss (a) definitions of participation, (b) theories on which the participative budgeting studies are based, and (c) types of empirical models of the effects of participative budgeting. By reviewing Brownell (1982b) and Shields and Shields (1998), we learn that the definitions of participative budgeting are relatively unified. A keyword of the definition is decision-making involvement by persons who will execute the budget. The involvement, however, ranges from pseudo to true participations. In the true participation, subordinates are involved in a group decision, while in the pseudo participation they are led to believe that they have some influence on the approved budget but their inputs are actually ignored. We also learn from this literature review that theories based on which empirical studies on participative budgeting are conducted consist of economic theory, psychological theory, and sociological theory. Using those theories, empirical studies as classified by Shields and Shields (1998) use four types of models of the effects of participative budgeting.

Following section B is section C where we review procedural justice theory. In this section, we discuss (a) Adams' (1963) equity theory from which the procedural justice theory originates, Greenberg's (1987) taxonomy of organizational justice theory, and Thibaut and Walker's (1975) procedural justice theory, and (b) empirical studies based on those theories. We learn that equity (inequity) theory focuses on perceptions that individuals attribute to their outcome relative to a referent other. Empirical studies that are inspired by this theory, as indicated by Greenberg (1987), slow down. Nevertheless, there emerge a variety of different approaches to justice useful in explaining behavior in a broader variety of organizational context. Greenberg (1987) offers his taxonomy of organizational justice theory derived by the combination of two conceptually independent dimensions—a reactive-proactive dimension and a process-content dimension. Thibaut and Walker (1975) develop theory of procedural justice based on a series of pioneering studies of reactions to the dispute-resolution process. Their studies compare reactions of people to stimulated dispute-resolution procedures that differ with respect to two types of control: process control and decision control.

In section D, we discuss (a) some definitions of culture, (b) taxonomy of culture by Hofstede (1980) as well as that by Hofstede (1991 in Heuer et al. 1999) that includes Indonesian culture, (c) taxonomy of culture by Heuer et al. (1999) that tests the stability of Hofstede's (1991 in Heuer et al. 1999) findings, specifically for Indonesian culture due to the social-economic development of

Indonesia, and (d) empirical studies on participative budgeting with culture as the moderating variable. By referring to the work of Indriantoro (1997) we quote definitions of culture from Kroeber and Kluckhohn and from Tefstra and David. We also quote the definitions from Hodgetts and Luthans (1997 as cited by Awasthi et al. 1998) and Hofstede (1980). We learn that Indonesian's culture—compared to American's—that was formerly found by Hofstede (1991 in Heuer et al. 1999) as high power distance, low individualism, and having masculine culture has recently changed to be having less individualism (Heuer et al. 1999). The power distance and masculinity of Indonesian is not currently different from American. The only difference nowadays is only in individualism-collectivism dimension. This review also learns that empirical studies find inconsistent findings on the participative budgeting with culture as the moderating variable.

The penultimate section of this paper is section E. Here, we discuss (a) some definitions of job performance and job satisfaction along with their measures used in empirical studies, (b) theories based on which empirical studies are conducted, and (c) empirical studies during more than 40 years. We learn that definitions of job performance as well as of job satisfaction are not uniformed. Measures of those two constructs also vary. Most studies on participative budgeting, however, use measurements developed by Mahoney et al. (1963 in Indriantoro 1993; 1965). From theoretical background, participation might have two possible effects on job performance and job satisfaction: positive and negative effects. We learn from Shield and Shield (1998) that 37 of 47 empirical studies document significant association between participative budgeting and job performance and job satisfaction if the participative budgeting interacts with certain moderating variable(s) (i.e., locus of control, culture dimensions, and decentralization, among others). This indicates that participation by itself does not have strong effect on job performance and job satisfaction.

We close this paper by summarizing what we review in sections B to F. Here, we also indicate future research that researchers might do. We place the summary and future research in section Job Performance and Job Satisfaction.

## PARTICIPATIVE BUDGETING

### Definitions

Participation of individuals in the activities of an organization is considered to have a significant impact on organization's effectiveness. Empirical studies, however, document that the effects of participation on consequence variables are modest or weak (Shields and Young 1993). In budgeting arena, studies of participation effects are rooted generally in the early study of Argyris (1952) or that of Becker and Green (1962). Studies of Argyris (1952) and of Becker and Green (1962) result in a belief that participation can be used to improve outcomes such as employee morale, motivation, commitment, and satisfaction. Specifically, Argyris (1952) sug-

gests that managers employ participation techniques as a means of improving the budgetary process.

The definition of participation in budgeting research is nearly unified. Brownell (1982b), for instance, defines participation as "an organizational process whereby individuals are involved in, and have influence on, decisions that have direct effects on those individuals." Brownell (1982b) specifically defines participative budgeting as "a process in which individuals, whose performance will be evaluated, and possibly rewarded, on the basis of their achievement of budgeted targets, are involved in, and have influence on the setting of these targets." Shields and Shields (1998) define participative budgeting as "a process in which a manager is involved with, and has influence on, the determination of his or her target." In conclusion, a keyword in the definition of participative budgeting is decision-making involvement by persons who will execute budget in determining a target in the budgeting process.

Individuals' involvement in decisions, in fact, is not necessarily a true participation. According to Argyris (1952), participation can be classified as true participation and pseudo participation. In the true participation, on one hand, people can be spontaneous and free in their discussion and involve a group decision, which leads the group to accept or reject something new. In the pseudo participation, on the other hand, subordinates are led by the budgeting process to believe that they will have some influence on the approved budget, but their input in the real budgeting process is ignored. The subordinates' view on budgeting as a pseudo-participative process may occur when the process uses a consultative budgeting process (Libby 1999). Vroom (1983 as cited by Libby 1999) defines consultative process as "decision process in which subordinates are involved, but the superior makes the final decision." Meanwhile, Vroom and Jago (1988) state that it is useful to distinguish actual from perceived participations. The perceived participation refers to the extent to which the individual feels that he or she has influenced the decision.

### **Empirical Studies and the Underlying Theories**

Empirical research in participative budgeting has been conducted since about 50 years ago, started by Argyris (1952). Argyris (1952) investigates organizational and behavioral effects of participative budgeting on subordinate managers. He finds that budget and budgeting may have dysfunctional impacts on subordinate behavior when the subordinate is not allowed an opportunity to participate in determining his or her target. Therefore, he concludes that budgeting will optimally contribute to organization's effectiveness if subordinates are allowed to participate in the activity of budget setting. The subsequent empirical studies in participative budgeting are broadly conducted using various variables and methods. The majority of the studies investigate the effect of participative budgeting on job satisfaction and job performance (i.e., Aranya 1990; Brownell and Merchant 1990; Frucot and Shearon 1991;

Lindquist 1995; Libby, 1999). Some of the studies incorporate certain moderating variables, such as locus of control (Frucot and Shearon 1991; Kren 1992b; Indriantoro 1993), product standardization and process automation (Brownell and Merchant 1990), management level (Dunk 1992), information asymmetry (Dunk 1995), decentralization (Gul et al. 1995), and culture (Harrison 1992; O'Connor 1995; Lau and Tan 1998).

According to Shields and Shields (1998), the subsequent empirical research in participative budgeting is motivated by economic, psychological, or sociological theories. The theories describe that economic, psychological, and sociological motivations are the ones that cause the participative budgeting to exist. From the economics standpoint, participation is used to convey information from a better-informed subordinate to a less-informed manager (Christensen 1982). Therefore, superior to reduce uncertainty, which is caused by information asymmetry between superior and subordinate about the subordinate's task and task environment, uses the participation. As the information asymmetry is reduced, the superior will be able to design and offer the subordinate a more efficient and goal-congruent incentives contract that increases subordinate's motivation to achieve the budget.

The psychological point of view believes that participation in budgeting affects organization's effectiveness through the following three mechanisms: value attainment, cognitive, and motivation (Shields and Shields 1998). Value attainment affects morale and satisfaction because the participation process allows a subordinate to experience self-respect and feelings of equality by having opportunity to express his or her values. Becker and Green (1962) use this mechanism to examine the effect of participative budgeting on satisfaction and productivity. This mechanism is related to equity theory, especially procedural justice theory. Libby (1999) and Lindquist (1995) use this mechanism in procedural justice context to examine the effects of participation in budgeting on job satisfaction and job performance. The other two mechanisms—motivation and cognitive mechanisms—are believed to affect performance. The cognitive mechanism views that participation affects performance because participation can improve the subordinate to utilize information and understand about his or her job and decision. The motivation mechanism depicts participation process that improves performance by increasing a subordinate's trust, sense of control, and ego-involvement with the organization, which later results in higher commitment to budget, less resistance to change and acceptance of the budget decisions.

The sociology theory of participative budgeting is concerned with contingency factors. The theory predicts that since the organization's external environment becomes more uncertain and the organizations respond by increasing its differentiation, then it increases the use of integrating mechanism, such as participative budgeting, to coordinate the organizations' operations.

### Types of Empirical Models

Shields and Shields (1998) classify the subsequent research in participative budgeting using the theories aforementioned and identify the following four types of empirical models of the effects of participative budgeting.

1. The model study investigates how the moderating variables affect the relationship between participative budgeting as the independent variable and variables such as satisfaction, motivation, and performance as the dependent variables.
2. The direct effects of participative budgeting on dependent variables.
3. Participative budgeting as an independent variable, which interacts with other independent variable to affect a dependent variable.
4. Participative budgeting as the moderator of the relationship between independent and dependent variables.

Shields and Young (1993) and Shields and Shields (1998) find that empirical studies on participative budgeting indicate that most studies focus on its consequences rather than on its antecedents. Therefore, there is still a room for further empirical studies that incorporate the antecedents of participative budgeting.

## PROCEDURAL JUSTICE

### Procedural Justice Theory

Psychological view, as aforementioned, is one of the participative budgeting antecedents. In this point of view, the value attainment mechanism is concerned with the procedural justice theory. The procedural justice theory originates as the development of equity theory introduced by Adams (1963) that is originally called inequity theory. Adams (1963) admits that her inequity theory is a special case of Festinger's cognitive dissonance theory. According to Adams (1963), the theory specifies the conditions under which inequity will arise and the means by which the inequity may be reduced or eliminated. Using the theoretical model introduced by Festinger, Adams (1963) defines that inequity exists for person whenever his perceived job inputs and/or outcomes in an observed relation to what he perceives are the inputs and/or outcomes of other. Therefore, equity (inequity) theory focuses on perceptions that individuals attribute their outcome relative to a referent other. The theory is concerned with the fairness of outcome. In other words, this theory claims that people compare the ratio of their own perceived work outcomes to their own perceived inputs to the corresponding ratio of a comparison other. If the ratios are unequal, an inequity is occurring (Greenberg 1990).

Greenberg (1987) indicates that research inspired by equity theory slows down greatly; however, there emerges a variety of different approaches to justice

useful in explaining behavior in a broader variety of organizational contexts. Research on justice in organizational contexts generates organizational justice theory. Further, Greenberg (1987) offers taxonomy of organizational justice theory derived by combining two conceptually independent dimensions: reactive-proactive and process-content dimensions. A reactive dimension is concerned with justice that focuses on people's attempts either to escape from or to avoid perceived unfair states. The reactive theory of justice examines reactions to injustices. By contrast, proactive theory of justice examines behaviors attempting to create just state, so it focuses on behaviors designed to promote justice.

The process-content dimension distinguishes between the process by which outcome is determined and the outcome itself. A process approach to justice concerns how various outcomes are determined. On the other hand, content approach focuses itself on the fairness of the resulting distribution of outcomes. In the organizational justice term, the content approach deals with distributive justice, while the process approach deals with procedural justice. Thus, the distributive justice theory pertains to individuals' fairness perceptions regarding the outcome, while the procedural justice theory is concerned with the perceived fairness of the policies and procedures used to make decisions.

The initial studies on procedural justice primarily ground findings in legal context (Potter 1997). Thibaut and Walker (1975) develop their theory of procedural justice based on a series of pioneering studies of reactions to the dispute-resolution process. Their studies compare reactions of people to stimulated dispute-resolution procedures that differ with respect to two types of control: process and decision controls. Process control is the opportunity for disputants to present information relevant to a decision and enhances judgments of the fairness of the decision-making procedure. Decision control relates to the opportunity for disputants directly to determine the outcome. Thibaut and Walker's (1975) studies establish that individuals will be more satisfied with their outcome when the procedures used in the decision making process are perceived to be fair. The process control can increase the perception of fairness in the procedure (Thibaut and Walker 1975; Lind and Tyler 1988). Therefore, individuals will be more satisfied with their outcome, as well as the procedure, when they are given the opportunity to present information to the decision-maker. The latter is known as the process control effect.

Folger (1977) introduces "voice effect" term associated with process control. Voice is a form of process control and is defined as the ability of subordinates to be involved in a decision process by communicating their views to their superiors (Leventhal 1980). Empirical studies support the voice that enhances procedural fairness even if the individual making the fairness judgment has no direct control over the decision itself (Lind et al. 1990). Participation in decision-making by voice increases perception of fairness when the affected party believes that his/her opinion leads to favorable outcomes (Houlden et al. 1978).

A form of decision control is choice. Choice occurs when the individuals are allowed participation by selection of one option from many alternatives (Earley and Lind 1987). Participation in decision-making by choice also increases perceptions of process fairness. Voice and choice are instrumental in influencing the decision outcome. Both are congruent with the control-oriented perspective of procedural justice.

### **Empirical Studies**

So far, participation in decision-making is based on an assumption that involvement influences either process determining the outcome or the outcome itself. If involvement influences neither the process nor the outcome, or the participation expectations are violated, then frustration will occur. In other words, frustration occurs when participants feel their inputs into the decision-making are not given adequate consideration by the decision-maker. Folger et al. (1979; 1983) and Cohen (1985) document that frustration makes participation in decision-making worthless. Instead, the effect decreases the perceived fairness of participants and, in turn, decreases their attitude as well as their performance.

Subsequent studies on procedural justice are conducted in a multidisciplinary area. Philosophers, sociologists, political scientists, psychologists, economists, and other scientists pay a considerable amount of attention to the issue of social justice (Van den Bos 1999). In the accounting area, procedural justice theory is generally used as the underlying theory in studies examining the effect of involvement strategy in accounting information systems development as well as in budget setting process.

The use of procedural justice theory in accounting research is triggered by the inconsistency of prior research findings focusing on participation. For example, studies of Lindquist (1995) and Libby (1999) that examine the effect of participative budgeting on job satisfaction and job performance using control-oriented perspective of procedural justice are motivated by equivocal findings on the consequences of participative budgeting as indicated by Shields and Young (1993) and Shields and Shields (1998). Lindquist (1995) and Libby (1999) find that the effect of participative budgeting on job satisfaction and job performance is contingent upon the level of control and the attainability of budget.

Specifically, Lindquist (1995) conducts an experiment study using two levels of process-control: high (opportunity to vote for standard) and low (opportunity to only voice about standard), and two conditions of budget attainability: attainable (fair) budget and unattainable (unfair) budget. Lindquist finds that high process-control is effective only if attainable budgets are received. Subjects treated having low process-control with unattainable budget have greater task and budget satisfaction than those with high process-control. Another finding is that subjects with high process-control form stronger feelings of dissatisfaction when they receive unattainable budgets.



Different from Lindquist (1995), Libby (1999) conducts an experiment to examine the relationship between the use of a fair budgeting process and subordinate performance. She uses organizational justice theory to define a fair budgeting process as having two components: voice and explanation. Voice is the subordinate's involvement in the budgeting process, while explanation is the communication by the superior of a rationale for the subordinate's lack of influence over the final budget target that the superior sets. Libby finds that participants' performance increases greater when subjects are treated having voice and explanation compared to when they are treated having voice opportunity only.

In accounting systems development context, Hunton (1996) conducts an experiment to clarify salient psychological factors influencing the relationship between participation and specific outcomes. Hunton's (1996) study is motivated by mixed results in prior studies that characterize the effect of user participation in information systems development on user attitudes and behavior. Hunton (1996) examines voice and choice effects, both as instrumental and non-instrumental controls, and frustration of user participation in accounting systems development. Hunton (1996) finds that when promised and actual participations are congruent, higher levels of participation (having voice and choice control) result in corresponding increases in user attitudes and performance. In contrast, when promised participation is violated (exceeds actual participation), higher levels of participation lead to monotonic decreases in user attitudes and performance. These findings indicate that user participation can either be functional or be dysfunctional, contingent upon the congruence between expected and actual participations.

## CULTURAL DIMENSIONS

### Definition of Culture and Its Taxonomy

Previous studies document that culture is one of contingent factors in management control systems design (Harrison and McKinnon 1999; Chow et al. 1999; Awasthi et al. 1998; Brewer 1998). As part of management controls, budgeting process is affected by culture dimension. Some studies investigate the effect of culture dimension on the relationship between participative budgeting and its consequences. Most of the studies use Hofstede's (1980) taxonomy of work-related cultural values to examine the relationship between variables of interest. This section will discuss the culture taxonomy the studies use. The discussion emphasizes the difference in culture between Indonesia and the United States. The followings are some definitions of culture construct and the taxonomy.

Kroeber and Kluckhohn (1952 in Indriantoro 1993) present the following comprehensive definition of culture.

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 (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as product of action, and the other, as conditioning elements of future action.

Tefstra and David (1985 in Indriantoro 1993) define culture as "a learned, shared, compelling, interrelated set of symbols whose meanings reflect a set of orientations for members of a society." The newer and simplest definition of culture is proposed by Hodgetts and Luthans (1997 in Awasthi et al. 1998) stating that culture "consists of value, beliefs, attitudes, and behavior that people acquire by common learning and experience in a group."

Hofstede (1980), in his study to develop the taxonomy of culture, defines culture as "the collective programming of the mind which distinguishes the members of one group or society from those of another." Hofstede (1980) develops a culture's taxonomy based on his study using more than 115,000 respondents from a large American-owned multinational company in the period between 1967 and 1973. The respondents are from 40 nations. Hofstede (1980) uses a questionnaire containing items predominantly tapping work-related values. Applying an ecological factor analysis, he decomposes culture into the following four dimensions.

1. *Power distance*: a measure of the degree to which cultures feel that inequality between people is normal and functional. Subordinates with high-power distance cultures tend to be more obedient because they believe in the functionality of inequality.
2. *Individualism*: a measure of the degree to which cultures prefer autonomy or group affiliation. Individuals with low-individualism (called collectivism) cultures prefer group affiliation.
3. *Uncertainty avoidance*: a measure of the degree to which cultures feel uncomfortable with uncertainty and ambiguity. Societies high on this culture prefer structured rather than unstructured situations, where there are clear guidelines for behavior.
4. *Masculinity*: a measure of the degree to which cultures stress achievement, heroism, assertiveness, and material success. In masculine culture, values such as competition, success, and performance are relatively more prevalent than in feminine (as opposite of masculine) cultures, where there is relatively more emphasis on values such as warm social relationships, quality of life, and care of the weak.

Later, Hofstede (1991 in Heuer et al. 1999) improves his study using more respondents from over 50 nations including Indonesia, which is not included in his former study. Then, he incorporates fifth dimension in his taxonomy adopting from the Chinese Culture Connection's (1987) study. The fifth dimension is *Confucian dynamism*: a measure of the degree to which cultures focus on long-term or short-term outcomes. Higher scores in this dimension indicate a long-term orientation. According to Hofstede's (1991 in

Heuer et al. 1999) findings, Indonesian cultures are different from American's in the following dimensions: power distance, individualism, and masculinity. In the uncertainty avoidance dimension, Indonesian is not statistically different from American. Hofstede (1991 in Heuer et al. 1999) classifies Indonesia culture as high power distance, low individualism (so that high collectivism), and having masculine culture. Whereas, American culture is classified as low power distance, high individualism, and having feminine culture.

Other nation culture studies including Indonesia in their sample are Noesyirwan (1977), Laurent (1983 in Indriantoro 1993), and Smith et al. (1996). Noesyirwan (1977) compares the actual pattern of behavior between Australian and Indonesian. Noesyirwan finds that the Indonesian sees the individual not as an autonomous unit, but as an actual or potential part of group. In contrast, the Australian conceives of the individual as a separate physical and social unit, one that is autonomous and should be respected as such. Laurent (1983 in Indriantoro 1993) investigates the philosophies and behaviors of managers in nine Western European countries, the United States, and two Asian countries including Indonesia. Laurent 1983 in Indriantoro 1993) provides additional evidence that the Indonesian national culture is different from the Western, especially the United States, national culture. In their culture dimensions map, Smith et al. (1996) classify and place Indonesia nation into quadrant that differs from quadrant in which the U.S. nation is placed into. The difference in culture between Indonesian and American is clearly shown by the findings of Hofstede (1991 in Heuer et al. 1999) and Heuer et al. (1999) as shown in Tables 1 and 2 respectively.

**TABLE 1**

**Cultural Dimensions from Hofstede (1991)**

Cultural Dimension	Sample	Number of Cases	Mean	Absolute Difference*	Score Rank out of 50
Power Distance	US	3,967	40	38	38
	Indonesia	66	78		8/9
Individualism	US	3,967	91	77	1
	Indonesia	66	14		47/48
Masculinity	US	3,967	62	16	15
	Indonesia	66	46		30/31
Uncertainty Avoidance	US	3,967	46	2	43
	Indonesia	66	48		41/42

The latest study of national culture with respect to Indonesia was Heuer et al. (1999). They test the stability of Hofstede's (1991 in Heuer et al. 1999) findings, specifically for Indonesian culture due to the social-economic development of Indonesia. Different from Hofstede's (1991 in Heuer et al. 1999),

Heuer et al. (1999) find that the difference in culture between Indonesian and American is only in individualism-collectivism dimension. Indonesian culture is currently classified as having less individualism than American culture. The power distance and masculinity of Indonesia nation is not different from that of the United States nation anymore. Based on results of their study, Heuer et al. (1999) argue that in Indonesia case, the Hofstede's (1991 in Heuer et al. 1999) taxonomy of cultures are more malleable than stable because Indonesia has got strong influence from the United States due to Indonesia's adoption of the US developed industrialization policy in the late 1960's and early 1970's and the subsequent influx of Western education and management techniques. Table 1 depicts the difference between American and Indonesian cultures based on Hofstede's (1991 in Heuer et al. 1999) findings, while Table 2 depicts the Heuer et al.'s (1999) results. We can see from Table 1 that power distance, individualism, and masculinity of American differ from Indonesian. Meanwhile, the difference as shown in Table 2 is only on the individualism dimension with statistical significance at the level of less than 5 percent.

TABLE 2

## Cultural Dimensions from Heuer et al. (1999)

Cultural Dimension	Sample	Number of Cases	Mean	Mean Difference	t-test Significance
Power Distance	US	104	21,7	-4,62	0,567
	Indonesia	46	26,3		
Individualism	US	104	96,7	16,03	0,046
	Indonesia	46	80,7		
Masculinity	US	103	44,4	-20,2	0,206
	Indonesia	46	64,6		
Uncertainty Avoidance	US	104	35,9	7,06	0,499
	Indonesia	45	28,8		

The difference of cross-cultural among nations/countries may influence the effect of participative budgeting on job performance and job satisfaction. The argument is inferred from Hofstede (1984 in Chow et al. 1999) that posits that lower distance implies a preference for more equality in vertical relationships. In low power distance cultures employees prefer or expect to be involved with, or have input into, their organization's decision-making process, including determining their budgets. In contrast, in high power distance cultures, because superiors are expected to unilaterally make decisions about subordinates, less use of participative budgeting will be expected. Individualism is also relevant because people higher on this cultural dimension prefer to have more influence to their own actions.

## Empirical Studies

Empirical studies on participative budgeting with culture as the moderating variable find inconsistent evidence (Chow et al. 1999). Harrison (1992), for example, finds that the difference of individualism and power distance between Australian and Singaporean moderates the effect of participative budgeting and budget emphasis on job tension and job satisfaction. O'Connor's (1995) provides insignificant results about the moderating effect of power distance on the relationship between participative budgeting and role ambiguity. Ueno and Wu (1993) document that individualism has a significant effect on participative budgeting, budget slack, controllable budgets, and performance evaluation, whereas uncertainty avoidance does not have a significant effect on long-range budgets and structure of budget process. Chow et al.'s (1999) findings support Hofstede's (1984 in Chow et al. 1999) prediction that participative budgeting will be higher within firms with high individualism and low power distance than firms with low individualism and high power distance. Lau and Tan (1998) and Lau et al. (1997) find that national culture comparing between high power distance/low individualism nation (Singaporean) and low power distance/high individualism (Australian) nation does not affect the interaction between budget emphasis, budgetary participation and task difficulty affecting managerial performance.

The mixed results from previous studies on the moderating effect of cultural dimension on the participative budgeting relationship leave an opportunity to conduct further research in this topic using subjects from other nations.

## JOB PERFORMANCE AND JOB SATISFACTION

### Definitions and Measurements

The definition of job performance as well as that of job satisfaction varies. Measures of the two also vary. Wagner (1994) indicates that most studies on participation define performance in terms of individual-level production and measure it by self-reports, supervisor's rating, or output counts. Yet, some studies employ group or organization-level reports, ratings, or counts. Also, some studies define performance measures in terms of qualitative aspects, as opposed to the quantitative ones.

Many participative budgeting studies, especially those conducting by survey, measure job performance using Mahoney et al.'s (1993 in Indriantoro 1993; 1965) questioners (e.g., Brownell 1982a; Brownell and McInnes 1986; Dunk 1990; Frucot and Shearon 1991; Brownell and Dunk 1991; Kren 1992; Dunk 1993; Gul et al. 1995; Lau et al. 1995, 1997; Lau and Tan 1998). In some of other participative budgeting studies, researchers define and develop their own job performance measures (e.g., Milani 1975; Kenis 1979; Brownell 1982d; Mia 1988; Brownell and Merchant 1990; Aranya 1990; Kren 1990; Kren 1992;

Shields and Young 1993; Lindquist 1995). We review here the definition of job participation construct as defined by Mahoney et al. (1963 in Indriantoro 1993) because many studies in participative budgeting use the Mahoney et al.'s questioners in measuring job performance. Mahoney et al. (1963 in Indriantoro 1993) define job performance in terms of managerial performance as being "based upon the functions of management discussed in classical management theory." Their definition includes managerial performance in planning, investigating, coordinating, evaluating, supervising, staffing, negotiating, and representing.

Satisfaction measures employed in participation research also vary, including self-reports and observer ratings of individual-level job satisfaction, satisfaction with supervision, satisfaction with the immediate work environment, satisfaction with the surrounding group or organization, satisfaction with participatory decisions, satisfaction with participatory processes, and general satisfaction (Wagner 1994). We review the definition of job satisfaction from two sources that follow. Davis and Nestrom (1985 in Indriantoro 1993) define job satisfaction as "a set of favorable or unfavorable feelings with which employees view their work." In this definition, job satisfaction expresses the amount of agreement between one's emerging expectations and rewards that the job provides with. Dawis and Lofquist (1984 in Lease 1998) define job satisfaction as "the result of the worker's appraisal of the degree to which the work environment fulfills the individual's needs." According to Lease (1998), the definition is similar to other definitions where job satisfaction is viewed as the degree of an employee's affective orientation toward the work roles occupied in the organization. The job satisfaction measures used in participative budgeting studies are generally based on the Minnesota Satisfaction Questionnaire (MSQ) and the Job Descriptive Index (JDI).

### **Empirical Studies and the Underlying Theories**

Previous studies on participation document that there are two possible effects of participation on job performance and job satisfaction: positive effect and negative effect (Indriantoro 1993). Vroom (1960 in Vroom and Jago 1988) is one study on participation resulting in conditional effect on job performance and job satisfaction. Participation has positive effect on job performance and job satisfaction for individuals who are egalitarian, and no effect for those who are authoritarian. Vroom and Jago (1988), however, predict that recent society development to democratic-participative provides more opportunities for individuals to be proactive rather than reactive in the pursuit of their goals. These conditions would be expected to strengthen individuals' desire to participate in decisions affecting them. Therefore, in its evolution, the positive effect of participation on job performance and job satisfaction will be more likely to occur.

As consequence of participation, job performance and job satisfaction are expected to correlate. Intuitively, it stands to reason that the best perform-

ers would be the most satisfied with their job ( $p @ s$ ) and that the most satisfied would exemplify the best performers ( $s @ p$ ). The job satisfaction-performance relationship is one of the most frequently examined in the organizational sciences, yet one of the least successfully resolved (Hochwarter et al. 1999). There is little evidence that job satisfaction has a direct effect on raising productivity or efficiency, and vice versa. Therefore, the relationship between satisfaction and performance is relatively weak (Vroom and Jago 1988).

During more than 40 years, there are many studies concerned with the effect of participative budgeting on job performance and job satisfaction. Shields and Shields (1998) list 47 empirical studies on the effects of participative budgeting on certain dependent variables from year 1967 (Hofstede) to 1995 (Dunk 1990, 1993; Gul et al. 1995.; Lau et al. 1995; Lindquist 1995; Magner et al. 1995; Nouri et al. 1995; and O'Connor 1995). Thirty-seven of them use job performance and/or job satisfaction as one of their dependent variables. Most of them document significant association between participative budgeting and job performance and job satisfaction if the participative budgeting interacts with certain moderating variable (i.e., locus of control, culture dimensions, decentralization, environmental uncertainty, task uncertainty, task difficulty, budget emphasis, standard tightness, and so on). It means that participation only does not have strong effect on job performance and job satisfaction.

After the year 1995, studies on participative budgeting continue. Four studies on participative budgeting published after 1995 are Lau et al. (1997), Dunk and Lysons (1997), Lau and Tan (1998) and Libby (1999). Lau et al. (1997) investigate whether three-way interaction of budget emphasis, participation, and task difficulty affects Australian as well as Singaporean managers' performance. Lau et al. also examine whether the three-way interaction varies between Australian and Singaporean manager's performance. Differences are expected because of differences in culture dimension as found by Hofstede (1980). Lau et al. (1997) use survey method by sending questionnaire to 240 Singaporean managers and 170 Australian managers in manufacturing companies randomly selected. Results of the study indicate that (1) high budgetary participation (regardless of budget emphasis) in high task difficulty situations is associated with improved managerial performance, (2) compatible combinations of high budget emphasis and high participation are associated with improved managerial performance in low task uncertainty situations, (3) the combination of low budget emphasis and low participation is not associated with improved managerial performance in low task difficulty situations, (4) there is no difference in the effect of participative budgeting on Singaporean and Australian management performance.

Dunk and Lysons (1997) examine whether specific environment factors moderate the relationship between participative budgetary control process and performance of public sector departments. Their study applies survey method by distributing questionnaire to collect quantitative data and by interviewing to collect qualitative data. They find that participation is effective in enhanc-

ing performance when complexity—a crucial environmental factor—is high, but is not effective when the complexity is low.

Lau and Tan's (1998) study is similar to Lau et al.'s (1997). Both studies employ budget emphasis, budgetary participation, and task difficulty as independent variables, and managerial performance as dependent variable. They use managers from the same nations: Australian and Singaporean. The main purpose of Lau and Tan is to examine whether the three-way interaction between budget emphasis, participation, and task difficulty on managerial performance, in manufacturing sector, can be generalizable to financial services sector. Results of the study indicate that (1) three-way interaction between budget emphasis, participation, and task difficulty on performance found in manufacturing sector is not found in financial services sector, (2) budget emphasis and budgetary participation are highly significant and positively affect the performance of financial institution managers, (3) budgetary participation significantly interacts with task difficulty to affect performance. Participation is more effective in enhancing performance in high-task difficulty situations than that in low-task difficulty situations, and (4) the interactive effect between budget emphasis, budgetary participation, and task difficulty on managerial performance is independent of culture.

### SUMMARY AND FUTURE RESEARCH

This paper discusses the relationship between participative budgeting and job performance and job satisfaction moderated by culture dimensions. We learn from this review that the relationship uses procedural justice concept as the underlying theory. We also learn from this literature review that theories based on which empirical studies on participative budgeting are conducted consist of economic, psychological, and sociological theories. A procedural justice, viewed from psychological standpoint, is one of the antecedents to participative budgeting. Previous empirical studies that focus on the consequences of participative budgeting show inconsistent findings on the relationship between participative budgeting and job performance and job satisfaction. We posit that these mixed results may be caused by previous studies' lack of attention to the antecedents of budgetary participation. The different culture among nations may also have different effects of participative budgeting on job performance and job satisfaction. Thus, there is still an important room to conduct a future study that might confirm whether procedural justice enhances the association of participative budgeting with job performance and job satisfaction, especially using subjects from nations having different culture from American.



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