

CHAPTER SIX

DISCUSSION AND CONCLUSIONS

6.1 Introduction

In this chapter, the results presented in the previous chapter are discussed with the argument based on extant literatures. It is then followed by the implications of the study for both theory and practice. The limitations and suggestions for future research are presented next.

Thus far, the investigations into the relationship between budget participation and managerial performance revealed inconsistent findings. As such, researchers such as Shields and Shields (1998) have suggested the development of a richer model to better explain how participation is effective under different variables. Thus, this study proposes a more comprehensive model of budget participation that examines the relationship between budget participation and managerial performance with the existence of organisational fairness and motivation as mediating variables, and organisational culture as a moderating variable.

In particular, this study examines the direct relationship between budget participation and managerial performance. Moreover, it also examines the mediating role of organisational fairness and motivation in the relationship between budget participation and managerial performance. Finally, this study examines whether organisational culture moderates the relationship between budget participation and organisational fairness, budget participation and motivation and between budget participation and managerial performance.

The discussions on the results are based on the six objectives of this study. The first objective is to examine whether budget participation has a positive relationship with managerial performance, organisational fairness and motivation. The second objective deals with the examination of the positive relationship between organisational fairness and motivation and managerial performance. The third objective is related to whether motivation has a direct positive relationship with performance.

The fourth and fifth objectives concern the investigation of the mediating role of organisational fairness and motivation. The mediating role of organisational fairness in the relationship between participation and performance, and motivation are examined in the fourth objective. The fifth objective examines whether motivation mediates the relationship between budget participation and performance, and between fairness and managerial performance.

Finally, in the sixth objective, the role of organisational culture as a moderating variable is examined in the relationship between budget participation and fairness perceptions, motivation, and managerial performance.

6.2 Discussion on Findings

6.2.1 Findings from Questionnaire Survey

Questionnaire survey data is used to test the 13 hypotheses developed in this study. The first six hypotheses concern the direct relationship between the variables. Hypotheses 7 to 10 tested the mediating role of organisational fairness and motivation. Finally, hypotheses 11 to 13 examined the moderating role of organisational culture.

A summary of the findings based on the objectives is presented in Table 6.1 below.

Table 6.1: Summary of Objectives, Hypotheses Tested and Finding

Objectives	Hypothesis	Findings
1. To examine whether budget participation (BP) has a direct relationship with managerial performance (MPERF), organisational fairness (OF) and motivation.	H1: There is a positive relationship between BP and MPERF	Confirmed
	H2: There is a positive relationship between BP and OF	Confirmed
	H2a: There is a positive relationship between BP and DF	Confirmed
	H2b: There is a positive relationship between BP and PF	Confirmed
	H3: There is a positive relationship between BP and motivation	Confirmed
2. To examine whether OF has a direct relationship with motivation and MPERF.	H4: There is a positive relationship between OF and motivation	Confirmed
	H4a: There is a positive relationship between DF and motivation	Confirmed
	H4b: There is a positive relationship between PF and motivation	Confirmed
	H5: There is a positive relationship between OF and MPERF	Confirmed
	H5a: There is a positive relationship between DF and MPERF	Confirmed

	H5b: There is a positive relationship between PF and MPERF	Confirmed
3. To examine whether motivation has a direct relationship with MPERF.	H6: There is a positive relationship between motivation and MPERF	Confirmed
4. To examine whether OF mediates the relationship between BP and MPERF, and between BP and motivation.	H7: OF mediates the relationship between BP and MPERF	Confirmed
	H7a: DF mediates the relationship between BP and MPERF	Confirmed
	H7b: PF mediates the relationship between BP and MPERF	Confirmed
	H8: OF mediates the relationships between BP and motivation	Confirmed
	H8a: DF mediates the relationship between BP and motivation	Confirmed
	H8b: PF mediates the relationship between BP and motivation	Confirmed
5. To examine whether motivation mediates the relationship between BP and MPERF, and between OF and MPERF.	H9: Motivation mediates the relationship between BP and MPERF	Not confirmed
	H10: Motivation mediates the relationship between OF and MPERF	Confirmed
	H10a: Motivation mediates the relationship between DF and MPERF	Not confirmed
	H10b: Motivation mediates the relationship between PF and MPERF	Confirmed

6. To examine whether OC moderates the relationship between BP and OF, between BP and motivation, and between BP and MPERF.	<p>H11: OC moderates the relationship between BP and OF</p> <p>H12: OC moderates the relationship between BP and motivation</p> <p>H13: OC moderates the relationship between BP and MPERF</p>	<p>Not confirmed</p> <p>Not confirmed</p> <p>Not confirmed</p>
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BP: Budget participation; DF: Distributive fairness; PF: Procedural fairness; OF: Organisational fairness; MPERF: Managerial performance; OC: Organisational culture

6.2.1.1 Objective 1: To examine whether budget participation has a direct relationship with managerial performance, organisational fairness and motivation

In Objective 1, three hypotheses are tested: H1, H2 and H3. H1 predicts a positive relationship between budget participation and managerial performance. Following studies by Lau et al. (2008), Lau and Tan (2006) and Wentzel (2002), who provided the results of direct relationships on the basis of correlation analysis, this study found empirical support for the hypothesis ($r=0.31$, $p<0.01$). This finding is consistent with most of the previous literature that also found favourable results with regards to the relationship between budget participation and managerial performance (Brownell, 1982a; Brownell and McInnes, 1986; Milani, 1975; Merchant, 1981). It is suggested that participating in the budgeting process increases the performance level of managers. Thus it can be concluded that participation in organisation affairs is important as it can improve the managerial performance.

H2 hypothesises the existence of a positive relationship between budget participation and organisational fairness. Two sub-hypotheses that are concerned with the dimensions of organisational fairness are also examined, i.e. distributive fairness (H2a) and procedural fairness (H2b). As a whole, the evidence suggests that budget participation is positively

related to organisational fairness ($r=0.7$, $p<0.01$). Similarly, empirical evidence shows a positive relationship between budget participation and both dimensions of organisational fairness with $r=0.63$ ($p<0.01$) for distributive fairness and $r=0.66$ ($p<0.01$) for procedural fairness. These findings are consistent with Wentzel (2002) and Maiga and Jacobs (2007) who also examined the two dimensions simultaneously in one study. Lau and Tan (2006) also provided statistical evidence of the relationship between budget participation and procedural fairness. Other evidence is also found in Lau and Sholihin (2005) that provides support for the positive relationship between financial and non-financial measurement-based performance evaluation and procedural fairness.

This result indicates that budget participation practice is an important practice that may increase the fairness perceptions of managers in organisations. With the involvement of managers in preparing the budget, not only is the perceived fairness of the outcome of the budget increased, but the perceptions of the process and procedures used to determine the outcome will be enhanced.

For H3, a positive relationship between budget participation and motivation is proposed. Significant evidence found ($r=0.35$, $p<0.01$) signifies the positive relationship between budget participation and motivation. This finding provided support for existing literature (Kenis, 1979; Merchant, 1981; Searfoss and Monczka, 1973). It suggests motivation is another benefit of participation apart from increasing managerial performance. As managers have more involvement and influence in setting up the budget, managers' motivations are likely to enhance.

6.2.1.2 Objective 2: To examine whether organisational fairness has a direct relationship with motivation and managerial performance

Two main hypotheses are proposed in Objective 2: the direct relationship between organisational fairness and motivation (H4), and the direct relationship between organisational fairness and managerial performance (H5). Likewise, two dimensions of organisational fairness were also examined: distributive and procedural fairness.

For the first relationship, overall there is enough statistical evidence to infer that organisational fairness is positively related with motivation ($r=0.52$, $p<0.01$). As no study in management accounting literature has examined this relationship before, this finding contributes to the theory for the existence of the direct positive relationship between organisational fairness and motivation. In other words, the fairness perception of the Malaysian managers is an important indicator that may motivate the managers in performing their work.

A close examination of each dimension of organisational fairness gives another contribution to the existing literature. Both types of fairness are significantly related to motivation with $r=0.42$ ($p<0.01$) for distributive fairness and $r=0.52$ ($p<0.01$) for procedural fairness. This may signify that when the managers perceive fairness in the outcome of the budget and in the process and procedures in determining the budget, it may enhance the motivation of employees in carrying out their duty. In other words, if the input provided by the employee is considered by the management through the fair budget participation process, motivation level will be increased.

This finding provides consistent evidence for the previous studies on fairness. While no study has been conducted that examines both distributive and procedural fairness with motivation, similar findings were obtained in examining the effect of fairness perceptions on trust (Alexander and Ruderman, 1987; Maiga and Jacobs, 2007) and goal commitment (Wentzel, 2002). Empirical evidence is also provided in Folger and Konovsky (1989) and Tang and Sarsfield-Baldwin (1996) which shows favourable effect of distributive fairness on pay and promotion satisfaction, and also on job satisfaction (Lau et al., 2008). The positive effect of procedural fairness is found in job involvement (Tang and Sarsfield-Baldwin, 1996), job tension (Lau and Tan, 2006), trust (Lau et al., 2008), and goal commitment (Folger and Konovsky, 1989; Maiga and Jacobs, 2007).

In the second relationship that examines the direct relationship between organisational fairness and managerial performance, overall, a positive direct relationship was revealed ($r=0.43$, $p<0.01$). Organisational fairness was directly related to the enhancement of the performance of managers. When the overall perceptions of organisational fairness increase, managerial performance is increased as well. Similar findings are also reported for the relationship between both distributive fairness ($r=0.41$, $p<0.01$) and procedural fairness ($r=0.38$, $p<0.01$) with managerial performance. It can be concluded that the perceived fairness of managers in budget related outcome and in the procedures employed to determine the outcome directly affect the performance of managers. It is suggested that when the managers have control of both decision (distributive) and process (procedural), a clearer and specific budget is prepared, thus increasing the performance of managers.

Previous studies have also reported similar findings. For instance, studies by Byrne and Damon (2008) and Libby (2001) found a significant main effect of the perception of fairness on performance. Other studies also provided significant evidence of the positive impact of perceived fairness on favourable behaviours of employees. Alexander and Ruderman (1987), Folger and Konovsky (1989), Lau et al. (2008), Lindquist (1995) and Tang and Sarsfield-Baldwin (1996) provided evidence for the importance of fairness perceptions on the development of employees' satisfaction. Moreover, it can also enhance job involvement (Tang and Sarsfield-Baldwin, 1996) and decrease retaliatory behaviour (Skarlicki and Folger, 1997), for instance, the tendency to create slack (Maiga and Jacobs, 2007) and job related tension (Alexander and Ruderman, 1987; Lau and Tan, 2006).

6.2.1.3 Objective 3: To examine whether motivation has a direct relationship with managerial performance

Objective 3 aims to examine the relationship between motivation and managerial performance (H6). A significant positive relationship was found ($r=0.31$, $p<0.01$), which may indicate that when the employees are motivated in performing their work, it is highly likely to increase their managerial performance as well. A similar conclusion was also made by Brownell and McInnes (1986), Locke and Schweiger (1979) and Shields and Shields (1998). This finding demonstrates the importance of motivating the employees as it leads to a positive outcome on performance.

6.2.1.4 Objective 4: To examine whether organisational fairness mediates the relationship between budget participation and managerial performance, and between budget participation and motivation

In Objective 4, two hypotheses predicting the mediating role of organisational fairness and its dimensions are tested. H7 hypothesises the role of organisational fairness in the relationship between budget participation and managerial performance. This study provided an empirical result that supports the significant role of organisational fairness as a mediator in the budget participation – managerial performance relationship. It is further confirmed by the analysis of indirect effect based on the approach suggested by Lau and Tan (2006) and Lau et al. (2008). The approach is based on the threshold amount of 0.05. If the indirect effect of the path coefficients exceeds 0.05, the effect may be considered meaningful (Pedhazur, 1982; Bartol, 1983).

The same conclusion can be made for each dimension of organisational fairness. Both distributive and procedural fairness also play a role as mediating variables in the relationship between budget participation and managerial performance. It is suggested that by participating in the budget setting process, the performance of managers can be enhanced through the enhancement of the perception of fairness. Through participation, a fair and reasonable goal can be determined which increases the performance of employees to accomplish the goal.

These results are consistent in extant literatures that examine the role of organisational fairness as a mediating variable, for instance, the study by Wentzel (2002) that examined the role of both distributive and procedural fairness as mediating variables in the relationship between budget participation and goal commitment. Lau and Sholihin (2005) also found significant mediating role of procedural fairness in the relationship between financial and non-financial performance evaluation and job satisfaction.

The second hypothesis in Objective 4 examines the role of organisational fairness and its dimensions in the relationship between budget participation and motivation (H8). Previous results (hypothesised as H3) examining the direct relationship between budget participation and motivation showed a significant effect. However, this relationship is no longer significant when organisational fairness is considered. Thus it is concluded that organisational fairness mediates the relationship between budget participation and motivation. This finding is further supported by the analysis of indirect effect (Pedhazur, 1982; Bartol, 1983).

This study also provided empirical evidence for the dimensions of organisational fairness, distributive and procedural fairness. Both dimensions of organisational fairness also act as mediating variables in the relationship between budget participation and motivation. It can be concluded that involvement in budget preparation may increase the perceptions of fairness and consequently increases the motivation of managers in their work. It is further suggested that by participating in the budgetary process, both decision control and process control are gained. The manager's contribution is recognised from fair process and procedures employed in the organisation through budget participation practices. This in turn increases the motivation of employees.

This result contributes to the existing theory because it provides a possible explanation for the inconsistency of the previous results that examine the budget participation–motivation relationship (Brownell and McInnes, 1986; Kenis, 1979; Merchant, 1981; Mia, 1989; Searfoss and Monczka, 1973). While Brownell and McInnes (1986) and Mia (1989) argued that the conflicting finding may be due to different operationalisation of the motivation construct, Shields and Shields (1998) suggested that the relationship is far more complex. The results of this study suggest that the relationship between participation and motivation may not be a direct one, but it may be indirectly related through mediating variables. Thus this study provides empirical results for the mediating role played by organisational fairness as well as both dimensions of fairness in the relationship between budget participation and motivation.

6.2.1.5 Objective 5: To examine whether motivation mediates the relationship between budget participation and managerial performance, and between organisational fairness and managerial performance

Objective 5 attempts to investigate the mediating role of motivation in two relationships: the relationship between budget participation and managerial performance (H9), and the relationship between organisational fairness and managerial performance (H10).

Previous results in examining the direct relationship between budget participation and managerial performance (hypothesised as H1) showed a significant relationship. In the analysis using the full model of PLS, however, different results were found. The relationship between both variables was no longer significant. The insignificant result may be due to the mediating variables of organisational fairness and motivation. While organisational fairness mediates the relationship (as discussed in Para 6.1.4), a different

result was found for the mediating role of motivation in the relationship between budget participation and performance (Pedhazur, 1982; Bartol, 1983). As this result does not provide any empirical support for the mediating role of motivation in the relationship between budget participation and managerial performance, it is suggested that the involvement of managers in budget setting practice may not necessarily improve the performance of managers through increasing their motivation. In other words, motivation may not be an important variable that intervenes in the relationship between budget participation and managerial performance. This finding supports Brownell and McInnes's (1986) study that also found an insignificant role of motivation as a mediator variable in the budget participation–performance relationship.

The reason may be due to other factors that may affect the relationship between budget participation and managerial performance (Brownell and McInnes, 1986). As suggested earlier in this study, by introducing fairness into the relationship, stronger relationships exist for the effect of budget participation on managerial performance. Nouri and Parker (1998) also provided evidence for the mediating role played by budget adequacy and organisational commitment in the relationship between participation and performance. Parker and Kyj (2006) also provided evidence for the relationship in the presence of information sharing, organisational commitment and role ambiguity as mediating variables.

In examining whether motivation plays a role as a mediating variable in the relationship between organisational fairness and managerial performance, the study provided empirical support based on the analysis of an indirect effect following the approach of Lau and Tan (2006) and Lau et al. (2008). Fairness perception is indirectly related to performance through motivation. It is interesting to note that while motivation may mediate the

relationship between fairness perceptions and managerial performance, the statistical result demonstrates that the fairness perception itself retains a substantial amount of its direct relationship with managerial performance.

Thus, it can be concluded that the perceptions of fairness have a strong influence in affecting managerial performance. Even though fairness perceptions may have an indirect effect on performance, their direct effects are much more prevalent.

A detailed examination of the dimensions of organisational fairness revealed other interesting conclusions. Earlier, the direct relationship between each dimension of organisational fairness and managerial performance (hypothesised as H5a and H5b) was found to be significant. In the path coefficient model utilising PLS, different results found. Distributive fairness was significantly related to performance, while procedural fairness was not. In other words, no preliminary support was found for the effect of motivation in the relationship between distributive fairness and managerial performance. But the relationship between procedural fairness and performance was indirectly related via motivation.

To further confirm whether motivation plays a role as mediating variable in the relationship between both distributive and procedural fairness and managerial performance, indirect effect analysis was conducted. The results of the analysis further support these preliminary findings (Pedhazur, 1982; Bartol, 1983). In the relationship between distributive fairness and managerial performance, the result does not provide any empirical support for the mediating role of motivation. It is suggested that distributive fairness has a strong effect on managerial performance by itself and not through the mediating variable of motivation.

The effect of motivation in the relationship between procedural fairness and performance was slightly different. While motivation significantly mediates the relationship between procedural fairness and managerial performance, the indirect effect is relatively weak. This means that while the effect of procedural fairness on managerial performance is mediated by motivation, procedural fairness itself still retained a substantial direct effect on managerial performance.

Based on the above results, it can be concluded that organisational fairness and its two dimensions may have a strong direct effect on managerial performance. While motivation may mediate the relationship, the direct effects between fairness perceptions and managerial performance are much more prevalent.

A similar finding was also found in Lau and Tan (2006) in examining the effect of trust in the relationship between procedural fairness and job tension. They found that even though procedural fairness was indirectly related to job tension via trust, procedural fairness still retained a considerable main effect on job tension.

Previous studies also have provided empirical support for the strong influence of fairness perceptions in improving employee's attitudes and behaviours. For instance, it increases employees' satisfaction (Alexander and Ruderman, 1987; Folger and Konovsky, 1989; Lau et al., 2008; Lindquist, 1995; Tang and Sarsfield-Baldwin, 1996), enhances job involvement (Tang and Sarsfield-Baldwin, 1996) and decreases negative behaviour of employees (Maiga and Jacobs, 2007). These positive benefits suggest the favourable effect of perceived fairness on managerial performance.

However in examining the effect of fairness perception on managerial performance, previous studies showed conflicting findings. Some studies provided empirical evidence for the significant direct effect (Byrne and Damon, 2008; Libby, 2001), while others failed to show any significant influence of fairness perceptions on performance (Lindquist, 1995). These inconsistent results may suggest the influence of other variables that may mediate the relationship between fairness perception and managerial performance.

While various research was conducted to examine the effect of some variables in affecting the fairness–performance relationship, for instance, budget participation (Lau and Lim, 2002; Lindquist, 1995) and goal commitment (Wentzel, 2002), no study has been carried out to examine the role of motivation in the relationship between organisational fairness and performance. Thus, the results in the current study contribute to the existing literature by providing empirical evidence of the role of motivation as a mediating variable.

It is important to note, as explained earlier, that even though motivation may mediate the relationship between fairness perceptions and managerial performance, fairness perceptions still retains a substantial direct relationship with managerial performance. This is perhaps due to the strong influence of both distributive and procedural fairness has on performance. When the managers perceived that the final budget is fair, the performance of the managers will enhance. Similarly, when the procedures employed to determine the budget is fair, it will enhance managerial performance.

6.2.1.6 Objective 6: To examine whether organisational culture moderates the relationships between budget participation and organisational fairness, between budget participation and motivation, and between budget participation and managerial performance

Objective 6 examines the moderating role of organisational culture in the relationship between budget participation and organisational fairness, motivation and managerial performance. Organisational culture is operationalised by the level of power distance based on Hofstede's (1980) study. High power distance levels are associated with Asian societies including Malaysia, while low power distance levels are related to Anglo-American societies (Hofstede, 1983).

In this study, no significant differences were found for the levels of power distance index in Malaysian and foreign or Anglo-American subsidiaries companies situated in Malaysia. It is evidenced in this study that both types of companies scored a moderate level of power distance. This result is consistent with the analysis of participation level that shows an average level of participation practices by both local and foreign companies.

Furthermore, in examining the differences in all of the items in power distance for both local and foreign companies, no significant differences were found. These findings suggest that there is no significant difference in the level of power distance index in local and foreign companies. Consequently, there was not enough evidence to provide support for the moderating role of power distance in the relationship between budget participation and organisational fairness, motivation and managerial performance. Thus, it can be concluded

that in Malaysia, regardless of the ownership of the companies, the power distance index may not differ.

These findings are inconsistent with previous studies that found a significant role of power distance. For instance, O'Connor (1995) provided empirical evidence that the effectiveness of participation is moderated by power distance culture, in which different levels of power distance show different results. Further supports for the influence of culture on management control systems are found in Douglas et al. (2007), Frucot and Shearon (1991) and Harrison et al. (1994).

The conflicting findings may be due to several reasons. In line with the rapidly changing business environment nowadays, qualification and international exposure to different cultures might be two of the reasons to explain the lack of differences in power distance among local and Anglo-American companies in Malaysia. This notion is supported by Lau and Tan's (1998) study which did not find significant relationship between culture and evaluative style, probably due to tertiary education hold by managers. In addition, based on the report provided by The Star in Malaysia, which cited the Ernst & Young's 2010 Globalisation Index, the globalisation index of Malaysia is improving with openness to trade scoring 6.2 out of 10. This led to the increment of foreign direct investment to Malaysia which may have diluted the cultural values of local managers to lower power distance due to the assimilation process of local and foreign culture.

Further, in this globalisation era, most of the Asian countries are experiencing fast economic growth (Lau et al., 1995), with increasing number of local employees having an overseas education background, especially from Anglo-American countries such as USA, UK and Australia. This may possibly reduce the power distance effect through the socialisation process practices in other countries. Finally, the globalisation era nowadays may promote direct communication among various levels of employees in the organisation, thus employees are more proactive in the firm's decision making compared to in the traditional working environment.

6.2.2 Findings from Semi-Structured Interviews

Semi-structured interview was conducted to gain further insight and in-depth understanding of the related issue concerning budget participation. Apart from supporting the findings from questionnaire survey, semi-structured interviews also aim to provide evidence for unexpected findings which are inconsistent with the literature.

The ten managers who participated in the interview session were involved in the budget setting process. They agreed on the importance of budget participation as a way of information sharing to make better decisions which are in line with the objectives of the organisation. Through participation, clear direction is shown and assists in the implementation of budget without much disagreement.

From the interview, it can be concluded that budget participation practice differs across companies. While almost all firms involve the managers from various areas, there are also firms that involve only the managers in the finance department.

All the managers also agree that the time factor is a main barrier that hinders the implementation of budget participation. While participation enables input from all managers, the process is time consuming. Further, the effectiveness of budget participation can be lessened if those participating managers do not put in much effort and lack skill in preparing budgets.

Regarding the influence of cultural value, all the respondents believed that the implementation of budget participation will not be effective if the firm practices a more autocratic style of leadership. The budget would be prepared on the basis of the previous year's budget with a few amendments just for the sake of preparing the budget, as the final decision will be decided dominantly by the top management. However, all the interviewees perceive that in their department or organisation, a more participative style of decision making is practised. Even though the final decision depends on the top management, justification is sought before any amendment is made.

For the effect of budget participation on the performance and satisfaction of managers, the interviewees agreed on its direct impact particularly for firms that evaluate performance based on budget attainment. However the impact is indirect for those firms that assess managers' performance based on several factors besides the budgeted performance.

All the interviewees were also asked about their views on the findings from the questionnaire survey. Generally, they agreed that budget participation enhances managerial performance, fairness perceptions and motivation. They concurred with the consistent evidence that reflects the real practices in the firm. When the managers participate in the budget-setting process, they feel they are part of the budget, thus they will be motivated and

perform better to achieve the budget. Similarly, participation enables the determination of a reasonable budget that increases their perceptions of fairness.

When asked about the essential effect played by the fairness variable in the organisation, almost all interviewees perceived the fairness consideration as a necessary factor that increases their performance. Interestingly, there were also managers who believed the fairness factor is not the sole determinant of performance. They argued that good managers must be able to efficiently manage tasks and allocate resources to achieve the budget provided, regardless of the fairness perceptions of the budget. This finding leads to a conclusion about the possibility of the effect of cultural value in the related firm. As the overall results of the interview provided evidence for the essential role played by organisational fairness, which is consistent with the findings in the questionnaire survey, these adverse views may reflect the respondent's own firm and cannot be generalised to the whole findings.

Regarding the absence of the effect of organisational culture on the effectiveness of budget participation, the semi-structured interviews also provided similar findings. The interviewees generally perceived that in a situation where a more participatory style of leadership is being practised, the cultural effect is definitely not an issue. There is a higher level of participation in their firms, which is consistent with the moderate level of power distance found in the analysis of the questionnaire survey. They assert that the effect of culture may occur in family-owned businesses, where the top management is normally dominated by the senior family members, which increases the power distance level in the firms.

6.3 Implications of Study

The results of the study may provide several implications which can be divided into theoretical and practical implications.

6.3.1 Theoretical Implications

This paper attempts to extend the previous research by developing a more comprehensive model to provide better explanations related to budget participation behavioural consequences. This study contributes to the existing literature by investigating whether budget participation improves managerial performance in the presence of the perceptions of organisational fairness, motivation and organisational culture.

This study employed the goal setting theory which asserts that the goals serve as the objectives that direct the behaviour and action of employees (Locke, 1996; Locke and Latham, 1984; 1990; 2002). The theory suggests that specific, difficult but reachable goals motivate employees in achieving the goals (Latham and Locke, 1979). It also increases the effort of the employees in attaining the goals that lead to better performance (Latham and Steele, 1986; Locke and Latham, 1984; 1990; 2002). As budget also has the same meaning of the concept of goals to achieve, it is suggested that through participation, the goal level can be decided and agreed among employees in the organisation.

Goal setting theory also acknowledges the contributions of fairness perceptions in improving managerial performance. It is suggested that the goals must be perceived as fair and reasonable, in order to ensure goal acceptance and commitment (Latham and Locke, 1979; Locke and Latham, 1984). It is argued in this study that by participating in the budget preparation process, a fair, attainable and reasonable budget could be prepared which

enhances the performance of the employees. While the theory emphasises the importance of fairness perceptions in enhancing managerial performance in participative budgeting environment, only a few study in management accounting literature has systematically evaluated the relationship (Wentzel, 2002), which asserts that fairness could lead to managerial performance. Thus, this study contributes to the theory by extending the work of Wentzel (2002) in investigating the importance of fairness perceptions in organisations.

This notion is evidenced in this study. The favourable effect of organisational fairness indicates the importance of maintaining organisational fairness through the opportunities to participate in budget creation which consequently may increase the performance of managers. Specifically, the involvement of managers in the budget setting process enables them to contribute ideas and make them feel appreciated, thus increasing the likelihood of control over process and decisions which in turn improves managerial performance. In other words, participation increases the perceived fairness of the budget outcome (decision control) and the perceptions that the procedures used to determine that outcome as fair (process control), that ultimately increase the performance of the managers' main functions. This finding is consistent with Wentzel (2002) and Maiga and Jacobs (2007). While Wentzel (2002) provided support for the role of fairness perceptions as mediating variable in the relationship between budget participation and goal commitment, Maiga and Jacobs (2007) provided evidence for the direct effect of budget participation in increasing distributive and procedural fairness, which in turn increase managerial trust.

Moreover, this study also provided empirical support for another important role of organisational fairness and its dimensions. This finding contributes to the existing literature for the role of organisational fairness and its dimensions (distributive and procedural fairness) as mediating variables in the relationship between budget participation and motivation. While previous studies were unable to find consistent evidence of the relationship between participation and motivation (for example, Brownell and McInnes, 1986; Hofstede, 1968; Kenis, 1979; Merchant, 1981; Mia, 1989; Searfoss and Monczka, 1973), Shields and Shields (1998) argued that the relationship may not be a direct one, but rather may be indirectly related through mediating variables. Thus, this study is able to demonstrate that the relationship between budget participation and motivation is indirect through organisational fairness and both distributive and procedural fairness.

Further, managers' perceptions of fairness are not only important as mediating variables, but they also contribute to the existing literature for its positive direct relationship with motivation. While previous studies have predicted that fairness leads to increased employee motivation (Libby, 1999; 2001), no systematic evaluation has been conducted. Thus, this study provides empirical evidence for a significant direct relationship between fairness perceptions covering both distributive and procedural fairness and motivation.

The vital role of fairness perceptions was also demonstrated in its direct effect on performance examined in this study. While motivation may mediate the relationship between fairness perception and performance, the perceived fairness still retains a substantial main effect on managerial performance.

All these favourable effects of fairness perceptions are also noteworthy in previous findings. The importance of fairness perceptions in enhancing favourable attitude and behaviour of employees cannot be denied. For instance, evidence found that fairness perceptions promote trust between employee and employer (Alexander and Ruderman, 1987; Maiga and Jacobs, 2007), increase organisational commitment (Maiga and Jacobs, 2007; Wentzel, 2002), enhance job involvement (Tang and Sarsfield-Baldwin, 1996), develop satisfaction (Alexander and Ruderman, 1987; Folger and Konovsky, 1989; Lau et al., 2008; Lindquist, 1995; Tang and Sarsfield-Baldwin, 1996) and decrease job-related tension (Alexander and Ruderman, 1987; Lau and Tan, 2006). As evidenced in this study, in the budget participatory situation, not only can performance of managers be increased, but also managers' motivation can be improved through both the positive fairness perceptions of the budget outcome and the processes and procedures used to determine that outcome.

Apart from examining the role of organisational fairness and motivation as mediating variables, this study also attempts to examine the moderating role of organisational culture in the relationship between budget participation and organisational fairness, motivation and managerial performance. Employing the power distance dimension to operationalise organisational culture (Hofstede and Bond, 1988; O'Connor, 1995; Pratt and Beaulieu, 1992), this study provides an interesting finding. This study contributes to the existing literature by providing recent power distance index in Malaysia. While the index is moderately lower than previously reported by Hofstede (1983), it may be due to the internalisation and globalisation exposure that most of the Malaysian managers have. As the research conducted by Hofstede (1980; 1984a; 2001) was carried out from 1967 to

1978, the index may no longer represents the current power distance index of Malaysia's current population.

This study also found another interesting and surprising result. Although there are differences in the expected direction of the power distance index in local and Anglo-American subsidiary companies operating in Malaysia, the result was insignificant. Likewise, it may be due to the globalisation era that increases the experience of Malaysian managers in external affairs, which may be through the tertiary education attended overseas (Lau and Tan, 1998). In addition, it may be through the international seminars that encourage the socialisation process and openness in communication among the managers. This social interaction may promote more proactive participations by managers in the firm decision making which may bring down the power distance index.

6.3.2 Practical and Policy Implications

The results of this study suggest the importance of maintaining fairness in the management control system in the organisation. As budget serves as one of the most important accounting control systems in organisations, participating in budgeting process may make employees feel that they are appreciated (Lau and Tan, 2006) and can boost their self esteem. Lindquist (1995) suggested that in order to introduce fairness into the budgetary process, high participation is needed. The more individuals participate in the budgetary process, the higher the perceived level of fairness.

It is also suggested that involving managers in the decision making process increases the possibility of influencing the final budget set, thus enhancing the likelihood of a more favourable budget. Similarly, a clear, tight but attainable budget may be achieved if managers perceive that the procedures used to determine the final budget are fair. Thus maintaining of fairness perceptions may encourage managers to put more effort into fulfilling their task requirements which may fulfil their own satisfaction upon achieving budget goals and subsequently could develop a feeling of accomplishment and personal achievement as a return for attaining favourable budget variance. Moreover, positive fairness perceptions as a result of opportunities to participate in budget creation may also increase the performance of managers. Cropanzano et al. (2007) also added that organisational fairness brings everyone in the organisation together and encourages all members to work effectively as a team. They claimed that with fairness, employees can predict and control the preferable outcomes received from organisations. In the absence of fairness in the workplace, researchers in the psychology domain argued that it may increase retaliation (Skarlicki and Folger, 1997) and other negative employee behaviour (Cropanzano et al., 2007). As Cropanzano and his teams concluded, "...injustice is hurtful to individuals and harmful to organisations" (p. 34).

While the recent power distance index in Malaysia would be categorised as moderately low (Hofstede, 1980; 1984a; 2001), it may indicate the readiness of Malaysian managers to actively participate in decision making particularly in those decisions that directly affect them. Being actively involved in the budget setting process may give opportunities for the managers to determine a fair and favourable budget and make them put some degree of effort into achieving the goals that have been set.

As suggested by Chong and Johnson (2007, p.16), "... budgetary participation allows subordinates the opportunity to set difficult but attainable budget goals [resulting] in an increase in their feelings of ego-involvement, sense of control and trust...". A participative budgeting process also allows some platform for the subordinate to have some influence in the budget prepared and consequently in the final budget set by the top management. From the top management perspective, chances should be given to the subordinates to share ideas and the information they possessed. Allowing subordinates to participate in the budgeting process may provide them with the perception that the organisation is fair. The positive perception of fairness practised in organisations encourages subordinates to reveal relevant information, for instance the resources needed (Nouri and Parker, 1998) to fulfil their task requirements and subsequently increases satisfaction of subordinates (Lindquist, 1995).

This study has suggested the importance of maintaining fairness through participation in preparing budgets. As the level of participation in Malaysian firms is still at a moderate level, workshops/seminars on the importance of managers' involvement in decision making, particularly in the budgeting process, need to be conducted. This move may give some insight into the value of participation and the favourable results that can be achieved by Malaysian firms.

6.4 Limitations of Study

As with other studies, this study is subject to several limitations. Firstly, the relationship between budget participation and managerial performance may be far more complex than the one that has been investigated in this study. It is evidenced in low to moderate explanatory power of independent variables in predicting dependent variables (Chin, 1998), based on the coefficient of determination (R^2) figure. The dependent variable may be explained by other variables that are not examined in this study.

Secondly, even though findings from the study provided a strong mediating effect of organisational fairness in the relationship between budget participation and managerial performance, organisational fairness may not be the only variable that actually influences the relationship. The relationship could also be mediated by other variables such as information sharing, psychological empowerment and role clarity.

Thirdly, this study aims to examine the effectiveness of the participatory role played by managers in preparing budgets. Initially, in order to examine the extent of participation in the budgeting process, the respondents were middle to lower level managers. However, 25% of the returned questionnaires were responded to by the top management. As those people in top management positions were directly related to budget preparation, and they were the ones who normally set the final budget, the perceptions of the degree of involvement in the budget setting process may be different to those in other levels of management.

Fourthly, this study used self-rated managerial performance to measure the perceived managerial performance. The findings could be more objective if externally rated performance is used. However, this externally rated performance data is difficult to obtain as they are considered as private and confidential information by most of the companies.

Fifthly, this study has the low response rate (10.8%) from mail questionnaire survey. Thus, conclusions could be confined to those who replied the questionnaire.

Finally, in the cross-sectional survey, it usually does not provide evidence on the causal relationships between variables. For instance, this study has hypothesised that budget participation affects organisational fairness. However, Lau and Lim (2002) argued that budget participation is affected by organisational fairness. Thus, other methods of research may offer some explanations for the causal ordering of the variables.

6.5 Suggestions for Future Research

This study investigates the role of only two dimensions of organisational fairness, namely distributive and procedural fairness. Previous studies, for instance, Libby (1999) and Byrne and Damon (2008), have examined the influence of interactional fairness on performance. Future research may consider this dimension of fairness, to see whether the same prominent effect is demonstrated. In addition, the other dimensions of organisational fairness, such as informational fairness, may also be taken into account.

Furthermore, to increase the explanatory power of the independent variables, the other potential mediating variables such as information sharing, psychological empowerment, organisational citizenship behaviour, role clarity and role ambiguity may also be considered. It may give further insights that may increase the performance of managers in the participative budgeting environment.

Future research must also ensure the responses are obtained from the targeted respondents. To achieve this objective, efforts should be made to reach the initial target respondents. The right respondents may provide better explanation for the degree of involvement of managers in the budget setting process.

To increase the response rate, obtaining data through personally administered questionnaires may help. Using this method, the completed questionnaires can be collected by the researcher as soon as the respondents have answered the questions. However, this move needs additional time and cost. The consideration of employing Dillman's approach (Dillman et al., 2008) that involves techniques to gain a high level of respondent commitment to the survey in future research may increase the response rate.

Finally, the use of longitudinal analysis in future research may provide some views on the causal ordering issues (Lau et al., 2008). Longitudinal studies would allow a clearer examination on cause-effect relationship. This may be helpful to systematically investigate the causal relationships examined in this study.

6.6 Conclusion

This study attempts to provide a theoretical model that examines the relationship between budget participation and managerial performance, with the existence of organisational fairness and motivation as mediating variables, and organisational culture as a moderating variable. Despite its limitations, this study provides empirical evidence of the importance of budget participation that can promote more fairness in a workplace and motivate employees in performing their tasks. Budget participation also improves the perception of organisational fairness and in turn increases employees' performance. Maintaining fairness through budget participation can not only lead to positive effects of employee reactions that can promote higher performance, but also can enhance other positive attitudes and behaviour of employees.