

Budgetary Process in Management Accounting and Job Performance

Masnawaty Sangkala
Makassar State University, Indonesia

Mansyur Sain
Hasanuddin University, Indonesia

1. INTRODUCTION

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

Frucot and Shearon (1991) mentioned that the effectiveness of the management planning and control systems used in developing countries remains an important issue because as developing countries will become more industrialized and progressive they may import system and techniques from the more industrialized nations. Indeed such importation may be encouraged by educational institution and consultants. Unfortunately, the progressive local firm may be importing systems from the industrialized world without considering the potential impact of cultural differences on the success of implementing such system

Prior research indicates that cultural differences have an effect on management control system (MCSs) such as a participative budget process (Leach-Lopez, 2002). In the context of organizational culture, multinational firm are faced with an additional problem arising from the multicultural setting in which they operate; i.e., the interaction of organizational members with diverse cultural backgrounds. According to Frucot and Sheron (1991) this cultural interface can occur at various levels within the organization; for example between the subsidiaries high and low-level management (i.e., when an American executive is sent to manage the Mexican subsidiary) or between the management of the subsidiary and the parent. The diverse cultural backgrounds translate into a lack of cognitive similarities which can significantly hamper communication at that interface (Stening, 1979). Baker et al. (2009) studied the organizational identification by examining the impact of cultural values as antecedent on organizational identification in a multinational sales force. The cultural values and beliefs of 137 business-to-business sales force employees of a multinational company operating in the United States, Canada, United Kingdom, Australia, and New Zealand were measured at the individual level to examine their impact on organizational identification. They concluded that collectivism, masculinity, uncertainty avoidance, and long-term orientation were found to be significantly correlation with organizational identification, but power distance was not related.

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

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

2. BACKGROUND THEORY

2.1 *Budgetary Participation and Performance*

2.1.1 *Positive Relationship*

Argyris (1952) discovers a positive correlation between budgetary participation and performance. He concludes that in order that budgetary participation has an effect on performance, there must be acceptance to budget goals. This is the central role of budget participation.. Vroom (1960) has conducted a study to determine whether the effect of participation in decision making varies with personality of the follower. The study also examined the relationship between ability and motivation in job performance by using first, second, and third line supervisors at the New York and Chicago plants of a large delivery company as subjects. Vroom discovers that participation in decision making has an effect on attitudes of low authoritarians having a strong need for independence. In contrast, he discovers that high authoritarians with low need for independence are unaffected by participation in making decisions. He also discovers that participation has a positive effect on motivation for effective performance and the magnitude of this effect depends on the participant's need for independence and authoritarianism.

Bass and Leavitt (1963) in a related participative budgeting environment, conducted an experiment by employing business managers and supervisors as subjects. They conclude that between participation in planning and performance has a strong positive relationship. They examined the relationship between performance and the types of planning activities. They discover that the performance being significantly higher for self-planning group than for the

...nds experimental group which involves more in the target ...
... (1972) states that there is a positive correlation between performance and motivation. She argues that when a goal or standard is set by a participative process, employees accept it more readily by internalizing the established goal or standard. In other words, employees develop greater motivation and hence gain better performance.

In a seminal work, Hopwood (1972) empirically examined the effects of accounting data used in performance evaluation on cost center manager attitudes. The results of the study indicate that a Budget Constrained style of evaluation, which emphasizes budget related performance, is significantly positively associated with job related tension as compared to a Profit Conscious or Non accounting style of performance evaluation. The results also indicate that a Budget Constrained style of evaluation is associated with less favorable relations with both supervisors and peers as compared to a Profit Conscious or Non accounting style of evaluation.

Cherrington and Cherrington (1973) have conducted an experiment to test the effect of budgetary control and reward contingencies on performance and satisfaction. Their study reveals that budget participation optimal conditions and reinforcement contingencies are a means to maximize both performance and satisfaction. The study supports positive effects of participation on job performance.

Latham and Yukl (1975) studied the effects of assigned versus participatively set goals on performance. The results of the study indicated that participatively set goals have a significantly positive impact on performance.

Kenis (1979) examined the effects of budgetary goal characteristics on job related attitudes, budget-related attitudes, and self-rated performance. The results indicate that participative budgeting and budget goal clarity are both positively related to budgetary performance.

Merchant (1981) also stated that in all firms, the more formal and elaborated budgeting process are generally received well by the managers, but in larger firms they appear to be more positively linked with performance..

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

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

... true. This finding is important because it indicates that when participation is used, it generates greater participation, which results in higher performance.

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

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

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

2.1.2 Negative Relationships

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

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

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

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

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

2.1.3 Insignificant Relationships

Milani (1975) investigated the effects of budgetary participation on attitudes and performance. Specifically, Milani hypothesized (1) There will be a significant positive relationship between foreman performance and foreman degree of participation in budget-setting. (2) There will be a significant positive relationship between foreman attitude toward the job and foreman degree of participation in budget-setting and (3) There will be a significant positive relationship between foreman attitude toward the company and foreman degree of participation in budget-setting. Results of the study indicate that there is no significant relationship between participation and performance. However, strong support exists for both the relationship between participation and (1) attitude toward the job and (2) attitude toward the company. In Milani's results, the correlations between the attitudinal measures and performance are not significant, indicating that attitude toward the job and the company do not act as mediating variables. Overall, the results of Milani's study indicate that participation does not directly affect performance, nor does participation affect performance through its positive effect on job and company attitudes. In addition to the results discussed above, Milani (1975) investigated the mediating roles that attitude toward the job and attitude toward the company have on the participation-performance linkage.

Kenis (1979) examined the effects of budgetary goal characteristics on job related attitudes, budget-related attitudes, and self-rated performance. Specifically, Kenis investigated the hypothesis that participative budgeting, budget goal clarity, and budgetary feedback have a positive effect on budgetary performance and job performance. The results indicate that participative budgeting and budget goal clarity are both positively related to budgetary performance. However, the findings fail to support the hypothesized positive effects of participative budgeting on the job performance of managers.

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

Dunk (1989) investigated the effects of budget emphasis and participative budgeting on managerial performance. This research was motivated by the conflicting results of Brownell (1982c) and Brownell and Hirst (1986). This research was a replication study of these two prior studies. Replication studies offer a way to confirm the external validity and generalizability of prior research. Dunk hypothesized that the interaction of high participative budgeting and high budget emphasis increases managerial performance. The study's results indicate that the interaction effect is significant; however, the interaction tends to decrease performance rather

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study's model also allows the direct effect of participation. The findings fail to indicate a significant relationship between participation and performance. This particular result supported the non significant relationship found by Brownell and Hirst (1986) but contradicted the significantly positive relationship found by Brownell (1982c).

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

2.2 *Budgetary Participation and Locus of Control*

The concepts of internal versus external locus of control was defined by Rotter (1966) as follows : " When a reinforcement is perceived by the subject as following some action of his own but not being entirely contingent upon his action, then, in our culture, it is typically perceived as the result of luck, chance, fate, as under the control of powerful others, or as unpredictable because of the great complexity of the forces surrounding him. When the event is interpreted in tills way by an individual, we have labeled this a belief in external control. If the person perceives that the event is contingent upon his own behavior or his own relatively permanent characteristics, we have termed this a belief in internal control "

Phares (1968) describes that locus of control is a personality variable. According to him this variable helps classify individuals as internals and externals depending on the extent that they feel they exercise control over the reinforcement that occur relative to their behavior. The internals are those feel that their actions determine their rewards and punishments. The externals are those feel that an external force beyond their control provides rewards and punishments

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

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

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moderating effects of individuals' locus of control on the performance relationship in a laboratory setting. While previous studies examined attitudes such as job satisfaction, morale, and attitudes toward the job and company, this study introduces and examines a personality variable (i.e., locus of control). Locus of control is the degree to which individuals accept personal responsibility for what happens to them. Individuals with an internal locus of control believe that they are responsible for what happens to them, while individuals with an external locus of control believe that they are not responsible for what happens to them. Brownell hypothesized that participation and locus of control interact to affect performance, and his findings support his hypothesis; the participative budgeting and performance relationship is moderated by an individual's locus of control. Specifically, the results indicate that participative budgeting has a positive effect on performance for individuals with an internal locus of control and a negative effect for individuals with an external locus of control. Additionally, Brownell examined the direct relationship between participation and performance and found a significantly positive association between the two. In an effort to validate and extend the findings of Brownell (1981), Brownell (1982a) examined the effects of participative budgeting and locus of control on performance and job satisfaction in a field setting. The main purpose of this study was to validate the results obtained in the 1981 study, in which the moderating effects of locus of control had a positive (negative) effect for internals (externals) on the participation performance linkage. Specifically, Brownell tested the hypothesis that there is a significant interaction between participation and locus of control affecting performance. The results of this study indicate that the interaction between participation and locus of control significantly affect performance, with internally oriented individuals having higher performance than externally oriented individuals.

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

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

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

Latham and Yukl (1976) and Yukl and Latham (1978) detected no moderating effect of locus of control on the relationship of participation and performance. However, they discover that locus of control affects the correlation between participation and goal level. They speculate that internals set more difficult goals than externals. Dosset et al. (1979) discover similar performance about the relationship between participation and performance as of Latham and Yukl (1976) and Yukl and Latham (1978). Murray (1990) argues that the results of these three

the mechanism by which the locus of control can moderate and performance is experimentally constrained.

Brownell (1979) supports his hypothesis by stating that locus of control is an important moderating variable as the causal and correlation aspects of participative budgeting and performance. Brownell (1981) began a prolific research period into mediating variables to explain the correlation between budgetary participation and managerial performance. Brownell's studies (1979; 1981) examine the role of personality as a moderator of participation and managerial performance correlation. The operational variable for personality was locus of control. A laboratory setting was used to study two separate groups: undergraduate accounting students and managers from a big manufacturing company. The studies reveal that there is a significant correlation between participation and locus of control and performance. Budgetary participation has a positive effect on individuals who have a large degree of control over their destiny (internals on the locus of control scale), but it has a negative effect on individual whose destiny is controlled by luck, chance, or fate (externals on the locus of control scale). Brownell suggests that more research be conducted on other mediating variables that might affect the correlation between budgetary participation and performance.

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

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

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

managers are willing to have greater participation of
agers.

Goodstadt and Hjelle (1973) examined the connection between locus of control and participative style of management in a laboratory setting. They discover that externals use a more coercive style of supervision as opposed to internals who use a more personal, persuasive style of supervision. Seiler and Bartlen (1982) discover that managers who are classified as authoritarians prefer a more rigid budgetary system which exhibits a lower level of participation.

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

2.3 *Budgetary Participation and Job Relevant Information*

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

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

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

According to Kren (1992), budgetary participation can similarly facilitate the acquisition and use of job relevant information. Since participation provides an opportunity to influence the budget before it is finalized, in preparing a participatory budget, a manager must generally assume a more active role. Thus, the manager becomes more involved in considering and evaluating alternative budget goals. Participation may thus increase the managerø attempts to formulate accurate forecasts of environmental states and can focus the managerø attention on

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ure periods. It may also increase the time spent thinking
ative means-end approaches (Earley et al. 1987). Kren
(1992), in his study concluded that increased budget participation leads to increased job relevant
information and that increased job relevant information leads to increased performance.

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

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

Chenhall and Brownell (1988) proposed the ambiguity of role as an mediating variable in
the linking between budgetary participation and performance. In a survey they discover that
participation reduces the ambiguity of role and which improved performance. According to Kren
(1992), job relevant information and role ambiguity are similar constructs in that the latter
reflects the extent to which managers understand their duties and responsibilities, while the
former is a measure for the information available to managers to accomplish job-related tasks.

Simons (1987) provides detailed descriptions of how budgetary participation promotes
extensive job relevant information search activities by managers. These activities appear to occur
primarily because the budgetary process is participatory rather than an imposed budget. Simons
also discovers that in most organizations a manager's superior is an effective source of
information, particularly true in the case of companies which regularly promote the organization
to create supervisors who have extensive experience. In addition, several sources of job relevant
information are available to the manager, including the external environment and peers,
subordinates and superior (Hopwood 1976).

According to Lawler (1973) the acquisition of task related knowledge can improve
performance. The budget participation process provides an opportunity to subordinates to make
inquires and get feedback from higher-ups. Through the information exchange the subordinates
can have a better understanding of the task and solution strategies.

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

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

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

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

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

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

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

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

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

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

3. INDONESIA CONTEXT

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

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

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

4. CONCLUSION

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

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

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