

Budget Participation, Budget Adequacy and Organisational Commitment of the Malaysian Retail Industry

AFZAL IZZAZ ZAHARI

PhD student, University Teknologi MARA

Assoc. Prof. Dr. AZIZAH ABDULLAH

Faculty of Accountancy, University Teknologi MARA

Director

Internal Quality Assurance Institute of Quality and Knowledge Advancement
(InQKA)

Abstract:

Malaysia's market status based on the Retail Group Malaysia shows that the Malaysian Retail Group Malaysia revised its estimated annual growth rate of the retail industry for 2014 to 4.9% from 6% or RM96.2bil in expected sales turnover (PEMANDU, 2015). The study aims to investigate the relationships of budget participation, budget adequacy, and organisational commitment of the Malaysian retails industry. In order to test the proposed relationship, a survey questionnaire survey was administered to industry managers of the retail industry. The result shows that budget adequacy has a weak and no significant correlation with firm performance. Significant findings indicate that budget participation and organisation commitment has a significant positive relationship with firm performance.

Key words: Budget Participation, Budget Adequacy, Organisational Commitment, Malaysian Retail Industry

INTRODUCTION

Budget has always been an area of intense research. Budget is defined as forward-looking systems or a statement that

companies or organisations use in order to projects its future financial performance to evaluate the financial viability of its business evaluations or decision making (Foster & George, 2004). The budgeting process is a form of tool for short and long term planning in a company. The important elements of budget consists of assumptions, marketing plan, production and logistic plan, human resource plan, capital budget and projected financial statements (Fabio Frezatti, Andson B. Aguiar, Reinaldo Guerreiro, 2011). Budgets are used as a collection of plans and forecasts. This in turn reflects the financial implications of business plans of where the amounts that can be used, identified and allocated with the limited resources a company have (Bhimani, 2009)

The retail industry is also included in this process in which it accounts for domestic consumption makes up from 67 to 70 per cent of GDP of Malaysia, there are RM8.2 billion worth of sales and transactions that had been done in 2012 which consists of a varied basket of items, including clothing, food and souvenirs (PEMANDU, 2015). The large portion of economic activity of this industry clearly states that the study concerning budgetary process is relevant. The study of management accounting research are more focused on other sectors of industry such as the manufacturing industry(Ahmad, 2013; Nik Ahmad N, Sulaiman M, 2003; Tuanmat, Tuan Zainun and Smith, 2011). The retail industry use of budgets, budget participation and budget relevance in each of the companies can be observed on whether it does provide a competitive advantage or improve firm performance. However, the recent Malaysia's market status based on the Retail Group Malaysia shows that the Malaysian Retail Group Malaysia revised its estimated annual growth rate of the retail industry for 2014 to 4.9% from 6% or RM96.2bil in expected sales turnover.

This study is carried out to investigate the budgetary practice of retailers in Malaysia and their impact on firm

performance. The framework of this study is based on prior research concerning behaviour towards budgeting (Nouri, H., & Parker, 1998). The essence of budget adequacy budget participation and the usage of techniques related to budgeting were observed in this research.

LITERATURE REVIEW

Budget nowadays is considered as part of the Management Control System (MCS). The budget does not only focus on meeting current targets, but also shape strategic future directions of the company that can be analysed through budget preparations. Beyond budgeting was further developed by Hope and Frasier in the early 2000. They introduced dynamics that go beyond normal budgeting process and commented that that the budgeting system should be eradicated because the environment is now so complex and competitive that budgeting in its existing form is no longer useful for businesses (Hope, J. and Frasier, 2003). Budgets are considered an MCS because they can influence the behaviours and decisions of employees by translating a business's objectives into plans for action, communicating the objectives, and providing a benchmark against which to assess performance (Foster & George, 2004; Robyn Kinga, 2010; Sandino, 2007).

Budgeting Techniques

Budgeting techniques are the usage level of budgetary practices which are adopted by the organisation themselves. The research seeks to identify the budgeting practice adopted in Malaysian companies. The sample that was used throughout this research is the retail industry. This area of research can be traced back in 1995 where Bunce, Fraser and Woodcock had initially conducted a research survey based on an international non-profit consortium which is CAM-I. The research observed the movements in the company of adopting advanced budgeting

techniques such as processes and activities which are clearly identified. This is somehow similar to the Activity Based Budgeting. Their findings indicated that companies not only have to adopt advanced budgeting techniques in order to achieve their goals, but adopt a fully operational advanced management system in order to better link the budgeting process towards the company's strategic strategies.

King, Clarkson and Wallace (2010) conducted an experimental study in an organisation to determine the level of budgeting practice and their performance. They stated that the level of usage of budgeting practice or techniques are very well dependant on the following factors which are the size of the organisation, business structure that organisation has, their strategies and their budget on adopting these structures. This is somehow logical and relevant as most organisations have limited resources in order to apply these advanced budgeting techniques. Certain companies may not even have the budget to adopt modern day to day accounting practices. Their findings were that each of the structure levels in terms of size of the organisation has an impact on any adoption rate of techniques used. This means that depending on the size of the organisation, it will also have an impact to their accounting practices.

Budget Participation

Budget participation is the quantified level of involvement an individual or employee has towards the overall budget process. Research of this topic had been done for quite some period even in the current literature context. People are generally interested on how the behaviour reactions of individuals towards the budgeting process. It is a setting of where the individual will be involved in the budget setting process in the company. Since 1950, understanding of organisational behaviour has been a great concern in order to obtain the full capacity and potential of employees. Prior studies explored the

organisational behaviour research toward factory workers and their perceptions on budgets (Argyris, 1952). Some of the workers feel that the budgets were set high intentionally to make it harder to achieve. The author's research was based on how the budget impacts the individuals and company. Some of the budgets represent fear and resentment from the employees if they feel that the budget is their 'enemy'. The challenge is to have a balance and obtain a satisfactory performance from the employee whilst achieving the target budget. That is why it is important to understand how these budget perceptions especially in participations are important to current business operations.

Budget Adequacy

The concept of budget adequacy is having the level of adequate resources (technology, training, expertise and knowledge) in order to achieve the desired target (Nouri, H., & Parker, 1998). Their research had suggested that when the employees are more involved in the budgeting process, their level of budget adequacy will also increase. This in turn will help to improve work performance. Other research had explored on how having budget accuracy can improve performance (Paul Foote, Christopher Petruzzi, 1997). This was an experimental research on their students on how having more information can have an impact on performance. Through this information, the subjects were able to prepare a better budget forecasts. They found that by having more budget accuracy, students were able to improve their performance.

Organisational Commitment

Organisational commitment is the level of employee's devotion to their organisation (Nouri, H., & Parker, 1998). Budget participation, understanding the organisations behaviour is an important factor in order to obtain better performance from employees. There are three scales of organisational

commitment (Allen, 1996). These are affective, continuance and normative commitment scales that are existent in any organisations. Affective commitment is having a strong belief in and accepting the organisations goals and values. The continuance commitment is the commitment based on the employees recognition of costs associated with leaving the organisation. Normative commitment is the sense of having the obligation towards the organisations.

RESEARCH METHODOLOGY

Research Model

The research model is based on figure 1 as below .Each of the components of budget participation, budget adequacy and organisational commitment was observed towards firm performance. The linkages of the components in this model are discussed in the following sub section.

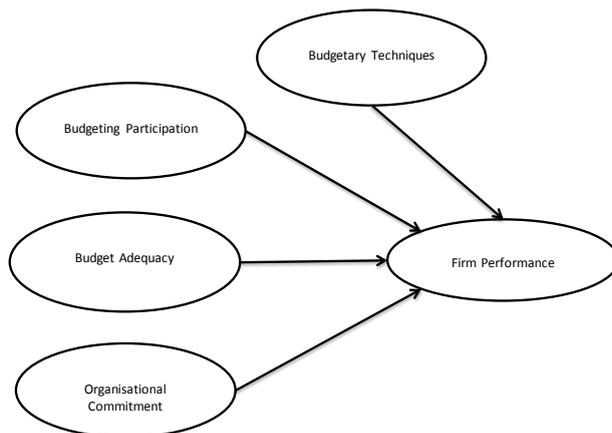


Figure 1.1: Research Model

Hypotheses

The study had used a combination of previous literatures that have greatly contributed to the development of the budget area in management accounting. The hypotheses testing used in this research were a mixture of both recent and past studies that

integrate current and past developments of studies. The budget knowledge in Malaysia is still limited (Nik Ahmad N, Sulaiman M, 2003) and traditional and post-modern budgeting techniques are mostly used in the retail companies. Advanced beyond budgeting techniques are somewhat limited and can be observed in the data analysis in the following chapter.

Management Accounting Practice Adoption Rate

The Malaysian economy is at the developing stage in terms of management accounting rates of adoption. Most of the small medium sized industries have yet to grasp modern day accounting practices and techniques. Malaysian companies during that age is in the first and second stages of the management accounting process (Mahfar R, 2004). There are four categorical stages defined in their paper. The first stage and second stage consists of standard accounting practices and traditional management accounting practices. Cost benefit analysis and product costing is categorised in stage two. Stage three and four are more advanced management accounting techniques such as Kaizen Costings. These studies were conducted in the year 2004 and similar research on adoption rates were conducted again in 2013 by Kamilah Ahmad. The research done by Kamilah Ahmad (2013) was to observe the uptake of management accounting practices (MAP) among SMEs in Malaysia. The research findings had shown that traditional MAP's such as conventional budgeting, traditional costing and financial performance measure are widely used by the respondents. These traditional accounting practices can be defined as basic accounting strategies such as the use of traditional accounting techniques, standard target, marginal costing and other basic accounting concepts. Advanced techniques such as target costing, Economic Value Added, and Activity Based Management (ABM) are subject to the compatibility of the technique to the business model. The research on United Kingdom's small medium enterprises had

shown that only a minority of small firms, typically around a third, set budgets; that payback was the most frequently applied investment appraisal technique and that the management accounting system (MAS) in a small firm has a significant effect on the operation and performance of the business (Reid, G. C., & Smith, 2002). Laura Broccardo (2014) had conducted a research on Italian SME's and the findings showed that there is positive correlation between the size and the diffusion of management accounting tools. The larger the size of the organization, the more accounting techniques will be used (Broccardo, 2014). This is because the organization has more resources at their disposal for adapting those advanced techniques.

Budgetary Techniques and Firm Performance

The evaluation of firm performance is related to the financial achievements of every organisation, whereby the context of firm performance can also include better decision making, optimal results, achieving targets, good coordination between management and operations or even achieving better results than forecasts. The firm can also fare poorly and may still have an optimal organizational performance. There is a direct relationship between budgetary practice and organisational performance (Shields M, Deng F, 2000). When there is more budgetary practice adopted in the organization, the better the firm performs. This is where the control system directly affects performance of the organization. There was a study on North American Companies that had shown the levels of budgetary practice has a strategic link towards the organisations goals and strategies (Libby T, 2010). The findings also indicated that some companies adopt modern budgeting processes and link them to traditional budgeting practices to improve business performance. There are other literatures that state that budget practices have no affect what so ever with the firm performance. Budgeting relates to the economic environment

and depends on other factors such as social and psychological (Covaleski M, Evans J, Luft J, 2003).

It is hypothesised as below to identify what relationship and impact budgetary practice have on firm performance.

H1 - Budgetary techniques has a significant positive relationship with firm performance

Budget Participation and Firm Performance

The budgetary process involves budget participation of employees. This context is that the employees themselves are involved in the planning, application and review of the whole budget process. The increase budget participation by employees toward the budgetary process will increase their job performance (Nouri, H., & Parker, 1998). Here the relationship on budget and towards work performance. The difference between Chinese and Western managers had shown that cultural difference have an effect on budget participation and work satisfaction (Tsui, 2001). The Chinese managers perform less when they are involved more in budgetary process and the western managers perform better when they are involved in the budgetary process. The study shows that cultural difference and demographics play a role on workers performance. Prior research had shown positive relationship between budget participation and job performance (Milani, 1975). However, this research was done in the 70's. The second hypotheses will be based on budgetary participation and firm performance. Each of these studies had adopted different dependant variables such as work performance, job performance and firm performance. This study attempts to relate the relationship between budget participation and firm performance.

H2 - Budget participation has a significant positive relationship with firm performance

Budget Adequacy and Firm Performance

The term budget adequacy is referred to an adequate support from management towards the budgetary process. Employees receiving sufficient or adequate budgetary support will increase their work performance (Parker, R. J., & Kyj, 2006). Abernethy and Brownell (1998) indicated that having an interactive style of budget use can mitigate the disruptive performance effects of the strategic change process. This is the connection between budgetary support and style of budget (Abernethy, M. A., & Brownell, 1999). When there is a better presentation of budget, they will receive budget adequacy in terms of better information and resources. Through using the appropriate managerial tools, it will have an important influence in the firms' management and also to improve financial management in these firms (Broccardo, 2014). The use of budget adequacy may also lead to higher commitment towards the organisation (Nouri, H., & Parker, 1998). The workers are better equipped in performing their tasks. Their research on budget adequacy shows that when an individual has budget adequacy the organisation will achieve higher performance. Based on their research, budget adequacy is the employee's belief that they have sufficient resources in order to perform their work duties. When the employees have sufficient budget resources to perform their work duties, this is when the budget is adequate. In this context, the employees believe that the organisation themselves are the ones responsible for delivering them sufficient budgetary support. This suggests the following hypothesis:

H3 - Budget adequacy and firm performance have a significant positive relationship

Organisational Commitment and Firm Performance

Organisational commitment in this context is the amount of commitment that the worker has invested towards the company that he or she is working in. There are prior research that was towards developing and measuring the workers organisational commitment towards their organisations (Mowday, R., Steers, R. & Porter, 1979). They defined organisational commitment as ‘the relative strength of an individual’s identification with and involvement towards the organisation’. Over the years, the dimension of organisational had varied. The previous identification of attitude, identification, involvement and loyalty had changed towards the employees feelings and beliefs towards the organisation (Manogran, 1997). Studies that are related to the accounting field shows that organisational commitment is positively related towards firm performance (Nouri, H., & Parker, 1998). The managers that participated in the budgetary process have higher organisational commitment rather than those who are not allowed to participate. Their findings were that budgetary participation indeed increases organisational commitment that resulted in positive work performance.

The fourth hypothesis is developed as follows:

H4 - Organisational Commitment and firm performance have a significant positive relationship

Sample and Data Collection

The retail industry has billions of ringgit valuation in terms of gross domestic value. The samples are people who are operating in the retail industry of Klang Valley. The listing of target sample is obtained from the Malaysian Domestic Trade and Consumerism Ministry (KPDNKK).

The data was collected using a survey questionnaire sent to retail industry managers. The respondents expertise

were chosen from areas of management, accounting, finance and operation managers who have experienced budgeting in their organisations. The questionnaires were distributed through postal mail, email and physical distribution visit to the identified retail organisations.

Throughout the data collection, a total of 59 answered questionnaires were obtained, this was through the total of 236 questionnaires distributed throughout this research.

Table 1.1: Sample Selection

	No. of Companies
Initial Sample	236
Less: non-returned questionnaires	177
Less: not-completed questionnaires	3
Total Usable Questionnaires	56

Measures

The variables used in this research are budget participation, budget adequacy, organisational commitment and firm performance. This study used questionnaires as an instrument of data gathering in order to address the research objectives of study. The initial question will be whether the company uses any budgetary process in their organisation. Companies that do not use any budgetary process will not be included in this study. Respondents will be asked to rate their own perceived level of budgetary practice on a five point Likert scale.

These five point Likert scales were observed towards the other variables in the research instrument in order to simplify the research environment. The use of the Likert scales in this study is due to the overall universal usage of these scales in various literatures and research. There are arguments on the use of Likert scales as it is a subjective measurement of attitudes (S.J. Heine, D.R. Lehman, K. Peng, 2002). The use of the scales provides a self-report measurements rather than objective measured results that can be obtained from corporate

records. They further commented that different cultural backgrounds will generate different results as indicated in their findings of East Asians and North American cross-cultural comparison study. It cannot be denied that the use and effectiveness of these scales is still reliable and relevant to current studies.

The five Point Likert-scaled instruments were used to measure the variables used in this research as previously indicated. Respondents indicated on a scale anchored by (1), strongly disagree and (5), strongly agree, the extent to which they agreed with each of the items in the scale with respect to their company and respective answers.

Budgeting Techniques

The third section of the questionnaire is concerning the budgeting techniques used in the retail industry. Prior research towards Malaysian companies showed that most companies in Malaysia are adopting traditional management accounting practices rather than using modern day management accounting tools in their daily operations. There is an empirical evidence that conventional budgeting and traditional budgeting techniques are widely used in the Malaysian small medium enterprises (Ahmad, 2013).

The questionnaires in this section are trying to find out the respondents level of budgetary practice in their companies.

The following are the items used in the questionnaire

1. Budgetary Control
2. Incremental Budgeting (Target % increase on yearly basis)
3. Fixed Budget for the year
4. Forecast target
5. Activity Based Budgeting
6. Value Based Budgeting
7. Rolling Budget
8. Balance Scorecard

9. Benchmark

The first four items are traditional budgeting process. Items numbered 5 to 7 are better budgeting techniques. While items 8 to 9 are beyond budgeting items. The analysis will then rank the items on their level of usage and scale the level of budgeting techniques used in these retail companies. The expected result would be that most companies will use items 1 to 4 more frequently as compared to items from number 5 to 9.

The measurement used was based on a 5-Likert scale which ranged from “1” (strongly disagree) to “5” (strongly agree).

Budget Participation

Budget participation has always been a concern to industry managers. To measure these variables, Milani's (1975) six-item was used

1. I am involved in the setting all of my budget.
2. My superior clearly explain budget revisions
3. I have frequent budget related discussion with my superior
4. I have a great deal of influence on my final budget
5. My contribution to the budget is very important
6. My superior initiates frequent budget discussions when budgets are being set

Although the initial research was done by Ken Milani in 1975, the budget participation six-item is still widely used even in the modern day setting analysis. These studies include same items of measurements in their questionnaires (Brownell, 1988; Maria A. Leach-López, 2009; Nouri, H., & Parker, 1998; Wong-On-Wing, 2010).

The expected outcome of budget participation is that the more the employees are involved in the budgetary process the higher the company performance will fare.

The measurement used was based on a 5-Likert scale which ranged from “1” (strongly disagree) to “5” (strongly agree).

Budget Adequacy

To measure the budget adequacy, the research has adopted Nouri and Parker (1998) three items which are

1. My budget does not allow me to perform what is expected of me
2. What is expected of me is achievable under my budget
3. I am pretty much confident that I can achieve what is expected of me under my budget

The expected outcome of budget adequacy is that the more the employees have budget adequacy the higher the company performance will fare.

The measurement used was based on a 5-Likert scale which ranged from “1” (strongly disagree) to “5” (strongly agree).

Organisational Commitment

The organisational commitment is based on Nouri’s and Parker’s (1998) items. These items are also relevant to current society as most modern day researchers still implement these items in their measurements. Amongst the measurements used are :

1. I am willing to put a great deal of effort beyond that normally expected in order to help this company be successful
2. I talk up this company to my friends as a great organization to work for

3. I would accept almost any type of job assignment in order to keep working for this company
4. I found that my values and the company's values are very similar.
5. I am proud to tell others that I am part of this firm
6. This company really inspires the very best in me in the way of job performance
7. I am extremely glad that I chose this company to work for over others I was considering at the time I joined
8. For me this is the best of all possible company for which to work
9. I really care about the fate of this company

The expected outcome of organisational commitment is that more the employees are involved and committed to their companies the higher the company performance will fare.

The organisational commitment measurements are still widely used even in the modern day setting analysis. These studies include same items of measurements in their questionnaires (Allen, 1996; Nouri, H., & Parker, 1998; Parker, R. J., & Kyj, 2006).

The measurement used was based on a 5-Likert scale which ranged from "1" (strongly disagree) to "5" (strongly agree).

Measurement of Dependant Variables

Firm Performance

Budget Performance is the final part of the questionnaires which is basically on what this research would like to measure the organisational performance. There are other types of performance that can be measured in the organisation such as the organisational performance or even management performance. There are also other aspects used for performance

such as the job performance, product performance, and output performance. This research will use organisational performance as the base of related area. Organizational performance refers to the performance of the company relative to other companies as perceived by budget supervisors. The organisational performance can be measured through the self-evaluation of managers using three items (Van der Stede, 2000):

1. The company's financial condition
2. Market position
3. Internal performance in comparison with rival companies

The questions used in the questionnaire that related to performance were measured by the following 6 point items

1. Company usually achieve its target budget
2. Company usually achieve above budget in terms of revenue
3. Company is able to reduce cost through budget management
4. The budget allows the outlet to better compete with Competitors
5. The budget improves the company's market position
6. The company uses advanced budgeting techniques

As previously mentioned, the responses in this study were measure based on a 5-Likert scale which ranged from "1" (strongly disagree) to "5" (strongly agree). Throughout the analysis, only firm performance will be used as the output of dependant variable as mentioned previously in the theoretical framework.

To examine the influence of the independent variables towards dependent variables, multiple regression was chosen. The regression model is as follows:

Multiple regression model:

$$\text{Firm Performance} = \alpha + \beta_1 \text{BT} + \beta_2 \text{BP} + \beta_3 \text{BA} + \beta_4 \text{OC} + \mu$$

Where,

Firm performance = Self-evaluation on performance

α = Intercept

BT represents Budgeting Techniques

BP represents Budget Participation

BA represents Budget Adequacy

OC represents Organisational Commitment

The normality test, correlation test and reliability was tested towards the data. Regression analysis was conducted in order to test the hypotheses of this research.

RESULTS

The following is summary of information from the returned questionnaires.

	Classification	Frequency when N=43	Valid %	Cumulative %
Gender	Male	24	55.8	55.8
	Female	19	44.2	100
	Total	43		
Age	20-29 Years Old	11	25.6	25.6
	30-39 Years Old	16	37.2	62.8
	40-49 Years Old	12	27.9	90.7
	50 Years and Above	4	9.3	100.0
	Total	43		
	Current Position in the Company	Senior Top Management	11	26.2
Lower Top Management		5	11.9	38.1
Middle Management		16	38.1	76.2
Lower Management		10	23.8	100.0
Total		42		
Work Experience		5 years and below	13	31.0
	5-10 years	10	23.8	54.8
	11-20 years	9	21.4	76.2
	20 years and above	10	23.8	100.0
	Total	42		
Educational Qualification	SPM	17	40.5	40.5
	Diploma	12	28.6	69.0
	Graduate (Degree)	3	7.1	76.2
	Post-graduate (Masters)	6	14.3	90.5
	Others	4	9.5	100.0
	Total	42		
Involved in the budgetary process:	3 years and 4-6 years	19	47.5	47.5
	4-6 years	8	20.0	67.5
	7 years and above	13	32.5	100.0
	Total	40		

Table 1.2: Demographic Profile of Respondents

Profile of firms	Classification	Frequency when N=43	Percent
Size of the Retail Company	Hypermarket	9	20.9
	Supermarket	5	11.6
	Departmental Store	9	20.9
	Superstore	12	27.9
	Specialty Store	2	4.7
	Others	6	14.0
	Total	43	100.0
Type of Company	Local Company	35	81.4
	Foreign Company	8	18.6
	Total	43	100.0
Total Number of Employees	Less than 30	8	18.6
	30-50	5	11.6
	50-100	16	37.2
	more than 100	14	32.6
	Total	43	100.0
Years of Operation	1-3 years	1	2.3
	4-10 years	18	41.9
	More than 10 years	24	55.8
	Total	43	100.0
Annual Sales Turnover	Less than RM 250,000	5	13.9
	RM 250,000 to RM 1.0 Million	7	19.4
	RM 1.0 M to RM 5.0 Million	7	19.4
	RM 5.0 M to 10.0 Million	2	5.6
	RM 10.0 Million to RM 25.0 Million	7	19.4
	More than RM 25.0 Million	8	22.2
	Total	36	100.0

Table 1.3: Profile of the responding firms

VARIABLES

Independent Variables

The analysis includes range, minimum value, maximum value, mean and standard deviation. The range is also included to distinctly present the difference between minimum values and maximum values of variables in this study.

The mean for all four variables show that there is a slightly right shift to agreeing to most of the questionnaires related items (3=undecided, 4=agree and 5=strongly agree). If the mean is closest to 3, then most of the answers are undecided. Budget adequacy exerts the lowest minimum value of 1.67 amongst the four variables followed by organisational commitment at 2.56. All four variables show a maximum score of 5.

Types	N	Mean	Range	Minimum	Maximum	Std. Deviation
Budgeting Techniques	42	3.8068	2	3.00	5.00	.43889
Budget Participation	42	3.7175	2.33	2.67	5.00	.54146
Budget Adequacy	42	3.5873	3.33	1.67	5.00	.66181
Organisational Commitment	42	3.6438	2.44	2.56	5.00	.59253

Table 1.4: Descriptive Statistics for Independent Variables

For budget adequacy, there are however only 3 respondents that has the mean value of lower than <2, whereby 39 other respondents has a mean value of higher than 3. This is why budget adequacy still has a moderate value of mean at 3.58.

Dependent Variables

Firm Performance is the dependent variable of this study. There are five items discussed in evaluating firm performance which are company achieving its target budget, achieving in terms of revenue, reduced costs through budget management, progress with competitors and market position (Hansen, S., Otley, D. and Van Der Stede, 2003). Table 1.5 shows the descriptive statistics for firm performance.

Types	N	Mean	Range	Minimum	Maximum	Std. Deviation
Firm Performance	40	3.4400	2.6	2.00	4.60	.60967

Table 1.5: Descriptive Statistics for Independent Variables

The mean for all firm performance shows that there is a slightly right shift to agreeing to most of the questionnaires related items (3=undecided, 4=agree and 5=strongly agree). If the mean is closest to 3, then most of the answers are undecided.

There are however only one respondent that has the mean value of lower than <2. There are 17 out of 40

respondents that has mean value of more than 4>. The other 22 respondents have a mean value of between 2 and 4.

Multiple Regression Analysis

The following shows the multiple regression analysis between firm performance (dependent variable) and budget technique, budget participation, budget adequacy and organisational commitment.

	B	β	t	Sig*
Constant	1.852		2.486	.018
Budgeting Techniques	-.255	-.183	-1.255	.218
Budget Participation	.478	.429	2.364	0.024*
Budget Adequacy	-.237	-.260	-1.706	.097
Organisational Commitment	.450	.436	2.685	0.011*

Significant at (p<0.05)

Table 1.6: Coefficients

Construct	
R	0.673
R ²	0.452
Sig.	0.000
Durbin-Watson	1.994

Table 1.7: Model Summary

The effect of budgeting techniques on firm performance

The coefficient table shows that there is a negative coefficient value of (B=-0.255) which is not significant for budgeting techniques. The first hypothesis is proving whether budgetary techniques have a significant positive relationship on firm performance. This study showed that there is no significant relationship between budgetary techniques and firm performance, where the first hypothesis is rejected. Prior studies had shown direct relationships between budgetary

practice and organisational performance (Shields M, Deng F, 2000). Their research stated that improving the standards of budgetary practice increases job performance.

The effect of budget participation on firm performance

The budget participation coefficient value ($B=0.478$) shows that there is a positive coefficient value which is significant ($p<0.05$). This result supports the second hypothesis which states that budget participation has a significant positive relationship on firm performance. Results from previous research indicates budget participation influences job performance and work satisfaction (Nouri, H., & Parker, 1998; Tsui, 2001). The difference between Chinese and Western managers had expressed that cultural difference have an effect on budget participation and work satisfaction. They showed that Chinese managers perform less when they are more involved in the budgetary process and the western managers perform better when they are involved in the budgetary process. The study shows that cultural difference and demographics play a role on workers performance. The results of the present study suggest budget participation has a positive significant relationship with firm performance.

The effect of budget adequacy on firm performance

Table 2.1 shows that there is a negative coefficient value ($B=-0.237$) which is not significant for budget adequacy. The use of budget adequacy may also lead to higher commitment towards the organisation (Nouri, H., & Parker, 1998). With using the appropriate managerial tools, it will have an important influence in the firms' management and also to improve financial management in these firms (Broccardo, 2014). Prior studies suggest that having better adequacy will improve performance. This study states that budget adequacy does not have a significant relationship on firm performance. The third hypothesis is thus rejected.

The effect of organisational commitment on firm performance

The organisational coefficient value (B=0.450) shows that there is a positive coefficient value which is significant (p<0.05). This result supports the fourth hypothesis which states that organisational commitment has a significant positive relationship on firm performance. Studies that are related to the accounting field shows that organisational commitment is positively related towards firm performance (Nouri, H., & Parker, 1998). There are other intertwining variables that can influences performance from other aspects of organisational behaviour (Parker, R. J., & Kyj, 2006). The result of this study shows that organisational commitment has a significant relationship on firm performance supporting the fourth hypotheses of this study.

Model	Hypothesis	Result
1	Budgetary techniques has a significant positive relationship on firm	Rejected
2	Budget participation have a significant positive relationship on firm performance	Supported
3	Budget adequacy and firm performance have a significant positive relationship	Rejected
4	Organisational Commitment and firm performance have a significant positive relationship	Supported

Table 1.8: Summary of Findings from Regression Analysis

Items	Rank	
Budgetary Control	2	} Traditional Budgeting
Incremental Budgeting (Target % increase on yearly basis)	6	
Fixed Budget for the year	9	
Forecast target	5	} Better Budgeting
Activity Based Budgeting	3	
Value Based Budgeting	8	} Beyond Budgeting
Rolling Budget	7	
Balance Scorecard	1	
Benchmark	4	

Table 1.9: Ranking of budgeting Techniques by mean

Note: N = 43 companies

Type of Practice	Traditional Budgeting				Better Budgeting			Beyond Budgeting	
Budgeting Techniques	Budgetary Control	Incremental Budgeting	Fixed Budget for the year	Forecast Budget	Activity Based Budgeting	Value Based Budgeting	Rolling Budget	Balance Scorecard	Benchmark
Percentage (%)	20.9	14	9.3	9.3	9.3	7.1	9.4	11.6	9.3
Number of companies	9	6	4	4	4	3	4	5	4

Table 1.10: Percentage of strongly agreed companies against budgeting techniques

Table 1.10 shows that traditional budgeting has the highest percentage of usage (53.5% with 23 companies), this is followed by better budgeting (25.8% with 11 companies) and beyond budgeting (20.9% with 9 companies). This indicates that most of the companies adopt traditional budgeting techniques in their daily operations.

Despite the low percentage in adaptation of advanced budgeting techniques, the respondents somehow perceived that their companies do apply advanced budgeting techniques. There are 32% of respondents that agreed to this statement and 8% strongly agreed that their company adopts advanced budgeting techniques

Budgetary Techniques and Firm Performance

Modern day research models use complex relationships on budget emphasis and models that are related to each other to investigate the affect towards firm and managerial performance. Other findings had shown that the budget emphases on the budget itself have no direct influence towards firm performance (Cheng, 2013). They had also acknowledged that the budgeting system is the core central to the management control system (MCS).

The study attempted to measure that variable in terms of the budgeting techniques used in the retail industry of Malaysia. The results had shown that there is no significant relationship, although there are some correlations. Prior research of previous studies had shown that most practices adapt to new changes (Ahmad, 2013; Tuanmat, Tuan Zainun

and Smith, 2011). New modern day techniques are continuously adopted by companies in Malaysia especially the small medium enterprises.

The use of budget as the centre of Management Control System had also shows that in terms of the ranking that most companies have a majority that they agree that they use modern day budgeting techniques. Balance scorecard is shown to be the most popular beyond budgeting technique in these companies.

Budget Participation and Firm Performance

The research concerning budget participation of the employees is not a new area of research. The basics questions used in evaluating budget participation were still based on Parkers and Nouri's (1998) item scales as a form of measurements. There may be other influencing variables such as geographical and cultural background that may have an affect towards budget participation.

There are also some aspects of individualism and collectivism levels that can be considered in evaluation of Malaysian employees. The study towards societal level versus individual level predictions level of ethical study of which 48 joint researchers contributed to this grand work (Ralston, D. A., Egri, C. P., Furrer, O., Kuo, M. H., Li, Y., Wangenheim, F., ... & Fu, 2014) had found that Malaysians has a strong level of collectivism and low level of individualism. This showed that Malaysians tend to contribute work through collective rather than most western ideologies that maintain self-interest individualism concepts. This is how the study of budget participation can be further analysed. Each culture and geographical background may relate to these factors which in turn contribute towards improving the firm performance.

Initial findings of Tsui (2001) noted on these participation of Chinese managers are different from Western managers. The investigation of South Korean managers on

budget participation had indicated that there was higher levels of participation as compared to the average of participation and performance in United States companies (Maria A. Leach-López, 2009). This is also another viewpoint that when there is an increase in participation, it will eventually increase the organisational performance. Recent studies had also shown that increased participation in the budgetary processes will lead to an increase in higher levels of job performance (Blaskovich, 2012).

The findings in this study suggest that when there is an increase in budget participation there will be increases in firm performance.

Budget Adequacy and Firm Performance

Although most of the stated literature had shown that budget adequacy will increase firm performance. The findings had not been able to find any significant relationship between budget adequacy and firm performance. This may indicate that Malaysian employees may not fully understand the scope of budget adequacy. This was further observed when budget adequacy has weak correlations and non-significance values between the variables.

Organisational Commitment and Firm Performance

Prior studies to date had shown that organisational commitment offers an important role in determining the job and work performance. It is important that the employees are better suited and able to relate themselves towards the company that they are working for. Others might say that organisational commitment is more towards business, behavioural or management studies In this context, Nouri and Parker (1998) had observed that organisational commitment also serves as a intervening variable towards budget participation. The stronger the value of organisational commitment an individual has towards the company; the

higher levels of budget participation and output performance will be obtained.

Wing-o-wing, Bernard and Lan (2010) had categorised intrinsic and extrinsic organisational commitment and stating that each of these commitments exerts different results on performance. This shows that more in depth study can be conducted towards organisational commitment of where it is still a broad area of study. Linking it with firm performance is indeed related to each other.

The results showed positive associations between organisational commitment and firm performance. There is a significant relationship between these two dependent and independent variables. This shows that the more committed and individual is towards their organisation can lead towards better firm performance.

DISCUSSION

The findings showed that there are significant positive relationships between budget participation and organisational performance towards firm performance. Individuals who are more involved with the budgeting process and committed to the organisation will produce better output and increase firm performance. There were no significant relationships between budgeting techniques and budget adequacy towards firm performance. Overall, the results show that H2 and H4 are supported. The levels of budget adequacy can still be further investigated as different companies have different capabilities in terms of budget preparedness. The slack in knowledge, expertise and technology can be further expanded in future research.

The correlation analysis observed that budgetary techniques are viewed differently by each individual and there are some cases where some of the respondents do not answer some parts of this section. This shows that budgetary practices

can still be improved not just in this industry but the whole overall industries in Malaysia.

Malaysians are prone to make and discuss decisions together. They prefer to be involved in the budgeting process as compared to companies in China (Tsui, 2001) which maintains a low level participation rate for budget participation and performance. This observation was done in 2001 and there may have been major advances or changes that had already occurred towards the participation behaviour to budget in the Chinese populations.

Budget planning and readiness are more advanced and have different types of support in each company. This study adopted this assessment as budget adequacy is considered an important variable in the budgeting process.

Organisational commitment can be deemed a relative question. This is very much depends on the condition of individual companies in terms of their capital and capabilities. This can also be due to the fact that some individuals in their companies are happy with their organisations and some are aligned with the company's objective. The answers that suggested that the individual had thought that the company was not even suitable for them but had still continued to work the company for various reasons (44.2% out of 43 companies was in this group). The results showed that a higher level of organisational commitment leads to higher levels of firm performance.

Budget participation and organisational commitment has a significant relationship on firm performance. If there is more focus in companies in improving these two components, the company can further improve their performance. This observation is also supported by prior research (Blaskovich, 2012; Brownell, 1988; Cheng, 2013; Foster & George, 2004; Hope, J. and Frasier, 2003; Manogran, 1997; Maria A. Leach-López, 2009; Milani, 1975; Nouri, H., & Parker, 1998; Paul

Foote, Christopher Petruzzi, 1997; Robyn Kinga, 2010; Tsui, 2001).

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