

## EXAMINING THE RELATIONSHIP BETWEEN BUDGET SATISFACTION AND MANAGERIAL PERFORMANCE IN MECHANISTIC ENVIRONMENT. A VIEW FROM CONTINGENCY APPROACH

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### ABSTRACT

*This study examines the relationship between budget satisfaction and managerial performance during budget setting in a mechanistic public sector environment. Exploring contingency approach, it is proposed that budget satisfaction has a direct effect on managerial performance. A study on 128 budget managers, analyzed in the form of path analysis using structural equation modelling found significant effect of budget satisfaction on managerial performance, thus supported the hypothesis. This study implies that budget satisfaction is an important variable that enhances organizational success via managers' performance. We suggest for the management to ensure their budget managers fully satisfy with their resources in the quest to fulfilling organizational objectives and goals.*

Key words: Budget satisfaction, managerial performance, contingency approach

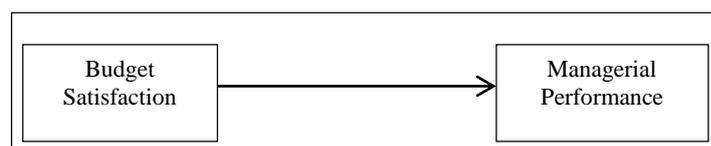
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### Introduction

This study partially extends Maiga (2006) study on the direct effect of budget satisfaction in budget setting with the main purpose to examine its relationship with managerial performance. It attempts to explore the outcome of budget satisfaction in different budget setting, especially in public sector mechanistic structure. Exception to organic structure, mechanistic environment differs in number of context, being the command structure of top to bottom become the ultimate criteria with high degree of outcome oriented. The execution of task and responsibility merely following orders with superior and subordinate has less interactive communication and flexibility. The condition set in mechanistic structure may not favour the managers and this may affect their level of satisfaction and performance. Managers may not able to fulfil budget requirement as the interactional capacity between superior is limited and managers has constraint input for budget determination.

Budget satisfaction has been linked to budget performance with significant effect (Maiga,2006). However, unlike Maiga (2006), this study explored different criterion variable of managerial performance instead of budget performance. Managerial performance has predominantly become an attentive variable in the recent budgetary studies as it behavioural effect has a significant impact on organizational objectives (Astuty, 2014; Ogiedu&Odia, 2014; Rachman, 2014). This study views budget satisfaction as a high degree of acceptability after an individual feel that their budget requirement has been fulfil to enable them to execute and achieve their planned activities accordingly. Budget satisfaction is an antecedent to budget performance and consequently lead to better managers' outcomes (Maiga, 2006). Managers with adequate resources may achieve total satisfaction that lead them to effectively perform for goal accomplishment. This study suggest that budget satisfaction has a significant effect on managerial performance on the ground that budget satisfaction acts as contingent factor to affect performance. Contingency approach propounded that an act of other variables is dependents on other positive variables or situational. The optimal course of action is contingent (dependent) upon the internal and external situation (Fiedler, 1964). Budget satisfaction provides motivation for a subordinate to achieve intended organizational goal thus help in improving managerial performance. Therefore, a path framework is developed at Figure 1 and a single hypothesis is proposed below:

Figure 1: Path diagram showing relationship between budget satisfaction and managerial performance



Hypothesis: Budget satisfaction has a direct significant effect on managerial performance

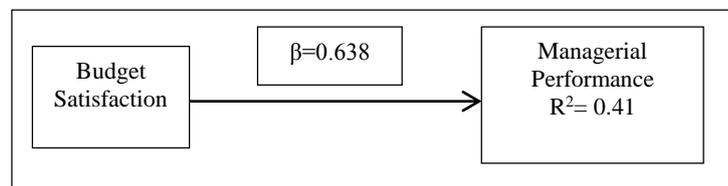
### Methodology

This study statistically measures causal effect between predictor and criterion variable in a single relationship model. Research instruments of budget satisfaction and managerial performance were derived from previous research following Maiga (2006). Both the instruments were demonstrated high reliability and internal consistency with Cronbach Alpha exceeded 0.8. Questionnaires gathered from a final sample of 128 budget managers from a Malaysian public sector organization, operationalized in mechanistic structure environment, were analyzed in the form of path analysis using structural equation modelling via Smart-PLS. Smart PLS is an exceptional tool which is appropriate for limited number of respondents, and it is not restricted to data normality for analysis.

### Result and discussion

The simple result of the path diagram illustrated at Figure 2 below showed significant effect of budget satisfaction on managerial performance ( $\beta = 0.638$ ,  $t > 10.335$ ,  $p < 0.000$ ). The R square indicates budget satisfaction explain 41 % of managerial performance. Thus, the hypothesis is accepted.

Figure 2 : Result of path analysis showing relationship between budget satisfaction and managerial performance



As expected, budget satisfaction has shown a significant direct effect on managerial performance. An acceptance of certain degree of satisfaction means the managers accept and agreed upon on what has been decided and determined by superior. Their willingness to accept the portion of budget allocation, considering the available resources is adequate for the running of the departmental activities will lead to more effort and initiative to ensure the budgetary goals are achieved and meeting their objective. This in turn will lead to improve managerial outcome in term of performance.

The result has shown that effect of managerial performance is contingent upon budget satisfaction, thus support the contingency effect of budget satisfaction on managerial performance. As the studies concerning the connection between these two variables were unknown, this result support and provide new evidence to the literature.

### Conclusion, limitations and future research.

This paper examines the relationship between budget satisfaction and managerial performance in budget setting. Unlike the previous budgetary research, this study attempts to explore the outcome of budget satisfaction in public sector mechanistic structure using a sample of budget managers from mechanistic public sector organization. It was hypothesized that budget satisfactions significantly affect managerial performance. The hypothesis is supported. The findings suggest that satisfaction is an important variable that lead to improve in managerial performance. The paper highlights the new evidence on theory development pertaining to the utilisation of contingency theory within budget setting. It is important to express that satisfaction in workplace is not an isolation factor that affect managerial attitude and behaviour, but it should be seen broadly in other context such as contingency environment. The study implies that the design of budgetary framework within mechanistic structure organization should be inclusively take into account managers behaviour and outcomes. In particular, it is important for the management to emphasis budget satisfaction to ensure managers are performed and committed to increase productivity that may contribute to high organizational success. The result of this study only related to a single public sector organization. Therefore, it cannot be generalizable to other context. Furthermore, this study only views from a single causation effect of satisfaction on performance. Future studies on budget setting may incorporate other variables that may influence manager performance such as leadership styles as mediating variable that helps transform satisfaction to improve performance.

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