



0361-3682(94)00034-4

THE INFLUENCE OF ORGANIZATIONAL CULTURE ON THE USEFULNESS OF BUDGET PARTICIPATION BY SINGAPOREAN-CHINESE MANAGERS*

NEALE G. O'CONNOR

Royal Melbourne Institute of Technology

Abstract

This paper uses Hofstede's cultural dimensions (Hofstede, G. H., *Culture's Consequences International Differences in Work Related Values*, (Beverly Hills, CA: Sage 1980)) to examine whether differences in organizational culture between local and foreign manufacturing firms affect the usefulness of budgetary participation in a high power distance nation (Singapore). The results from interview and survey data analysis provide support for the hypothesis that power distance moderates the usefulness of participation in budget setting and performance evaluation at the organizational culture level in terms of decreased role ambiguity and enhanced superior/subordinate relationship.

An important question that has emerged in the research being conducted into the cross-cultural generalizability of management control systems design is: do multinational companies (MNC) need to modify their domestic management control systems to suit the national cultural dictates of a foreign country, where the national culture of the foreign country differs from that of the domestic country? The results of the research to date would suggest that the answer is yes. This research has been proceeded by: (i) developing a theory to link specific cultural characteristics to different preferences for or responses to characteristics of management control systems; and (ii) taking samples of managers in organizations in two or more countries which differ on those cultural characteristics and testing for subsequent differences in management control systems preferences and responses (Hwang, 1989; Chow

et al., 1991; Frucot & Shearon, 1991; Harrison, 1992, 1993 Harrison *et al.*, 1994).

Participation in budget setting is one aspect of the management control system that has been subject to cross-cultural examination. Hwang (1989) used Hofstede's (1980) power distance dimension to study the effect of national culture on the relationship between budgetary participation and motivation. Participation was found to have a positive relationship with components of House's (1971) motivation model among Australian managers, while such relationships were not found among their Singaporean counterparts. Hwang (1989) concluded that motivation of middle-level management cannot be improved in high power distance countries through the use of participative management.

Similarly, Frucot & Shearon (1991) tested the cross-cultural generalizability of the interaction of locus of control and budgetary participation

* The research reported in this paper was supported by an RMIT — Singapore Institute of Management Grant. Special thanks are due to Ong Cheng Hui for her assistance in contacting firms. The author is grateful for the comments made by participants at the First (1994) International Conference on Contemporary Accounting Issues, Taipei, Taiwan and 1994 AAANZ Accounting Conference, Wollongong, Australia, workshop participants at Monash University and participants in the Management Accounting Cluster Group at the University of Melbourne. The comments from Graeme Harrison, Lokman Mia, Rob Chenhall and an anonymous reviewer were especially helpful.