

THE INFLUENCE OF CULTURAL VALUE IN ORGANISATION: A STUDY IN LOCAL AND ANGLO-AMERICAN FIRMS IN MALAYSIA

Suria Zainuddin and Che Ruhana Isa
University of Malaya, Malaysia
Email: suriaz@um.edu.my

ABSTRACT

The budgeting process is argued to be very much influenced by the organisational culture that exists within an organisation. By employing Hofstede's (1980) cultural dimension of power distance, this study aims to provide the current power distance index in Malaysia and the score of power distance and budget participation level in local and foreign firms operating in Malaysia. It also attempts to provide empirical evidence for the role of power distance as moderating variable in the relationship between budget participation and motivation. The overall results show that Malaysian firms scored a moderate level of power distance index. Contrary to earlier expectation, there is no significant difference in the level of power distance and the level of participation in budgeting process in local and foreign firms. Budget participation also does not moderate the relationships between budget participation and motivation.

Keywords: Cultural Value, Power Distance, Budget Participation, Motivation

INTRODUCTION

The interest in examining culture and its influence on the management control system has attracted the attention of management accounting scholars since the late 1980s (Pratt and Beaulieu, 1992). According to Frucot and Shearon (1991), differences in cultural values and norms among nations may give diverse reactions and responses to the budgeting system. Tang and Sarsfield-Baldwin (1996) further supported this study suggesting that scrutiny investigations should be held to examine possible interaction between superior, subordinates and cultural aspects as "different employees have their own personality, perceptions and attitudes" (p. 31) and by giving the same information, their reactions could differ.

Most of the studies provided evidence for the well functioning of the management control system tools, such as the budgeting system, in the Western countries (Brownell and McInnes, 1986; Brownell, 1982; Nouri and Parker, 1998; Parker and Kyj, 2006). Moreover Etemadi et al. (2009), Frucot and Shearon (1991) and O'Connor (1995) also provided empirical findings with the conclusion for the influence of cultural value in the participative budgeting situation. While many studies have been conducted in developed and Western countries and some Asian nations (Douglas et al., 2007; Frucot and Shearon, 1991; Harrison et al., 1994; Lau and Tan, 1998; O'Connor, 1995; Tsui 2001), none have investigated the effect of cultural value in Malaysia. Since Malaysia has been categorised as the country that having high power distance index, based on the research carried out from 1967 to 1978 (Hofstede, 1983), the validity of the index in the current rapid growth in Malaysia remained unaddressed since the score was obtained over 30 years ago.

Moreover, O'Connor (1995) provided marginal support for the influence of power distance in foreign subsidiaries firms (which parents are in low power distance countries) operating in high power distance country (Singapore). Thus, question arises whether the same effects occur in Malaysia, in particular, whether foreign subsidiaries are affected by the high power distance index in Malaysia?

Thus the purpose of this paper is to examine the score of power distance in local and foreign firms operating in Malaysia, and to provide a current power distance index in Malaysia. Consequently, to provide further evidence for the power distance score, the participation level for both types of firms is also examined. This study also attempts to provide empirical evidence for the role of power distance as moderating variable on the relationship between budget participation and motivation.

In the next section, literature review and hypothesis development are presented, followed by the methodology and the analysis of data. In the last section, the conclusion together with the limitations of the study is provided.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Cultural Values

Power distance is one of the dimensions of national culture, identified by Hofstede (1980) based on his research in a multinational corporation. The research conducted in 1967 to 1978 comprises of 50 countries and 3 multi-country regions (Hofstede, 1983). Besides power distance, Hofstede (1980) also identified another three dimensions of national culture, which are called individualism, uncertainty avoidance and masculinity. Hofstede and Bond (1988) later identified another dimension, called Confucian Dynamism, which made to the total of five dimensions of national culture altogether.

Power Distance

Power distance concerns the issue of inequality among individuals in organisations. It is associated to the inequality of distribution of power and authority. According to Hofstede (1983, p.81), “the level of power distance is related to the degree of centralisation of authority and the degree of autocratic leadership”. Large power distance societies are normally related to an autocratic style of leadership and centralisation of decision making. In contrast, a more participative style of leadership is likely to occur in low power distance societies with more decentralisation of power.

Individualism

Hofstede (1984) relates the individualism dimension as the relationship between an individual and its group within the society to which they belong. Those in high individualism societies are concerned more about themselves and their immediate family (Hofstede, 1983). On the other hand, those in low individualism societies, called collectivism societies, consider everyone in the group and they are tightly integrated societies (Hofstede, 1983). Collectivism societies are normally comfortable working in a group and they are likely to be dependent on each other.

Uncertainty Avoidance

Uncertainty avoidance is related to the uncertainty of the future. Since events occurring in the future cannot be exactly known at the present, the way to cope with uncertainty depends on the particular society. In order to deal with these uncertainties and anxiety levels (Frucot and Shearon, 1991), individuals adopt “strict codes of behaviour and a belief in absolute truth” (Hofstede, 1984, p. 390) in order to minimise these uncertainties and anxieties. Societies with strong uncertainty avoidance are adverse to risks, emotional, security-seeking and intolerant; while societies with a weak uncertainty avoidance or uncertainty acceptance are risk takers, less aggressive and relatively tolerant (Frucot and Shearon, 1991; Hofstede, 1984).

Masculinity

The masculinity dimension concerns male and female values and its impact on social activities (Hofstede, 1984). It is related to the distribution of the social role of the different sexes in different societies. Masculine culture expects men to be assertive, dominant and to strive for material success and women to focus on interpersonal relationships and “to serve and care for nonmaterial quality of life and for children” (Hofstede, 1984, p. 390). These societies limit the roles that should be occupied by men and women. At the other extreme, feminine culture permits both men and women to serve many different roles. This culture places more value on relationships and quality of life.

Confucian Dynamism

Confucian dynamism is related to the orientation attached to the future (or long-term orientation) versus the past and present (or short-term orientation). The values which reflect future orientation include “persistence (perseverance), ordering relationships by status, thrift and having a sense of shame” (Hofstede and Bond, 1988, p.17). For the societies whose emphasis is on past and present orientation, the values include personal steadiness and stability, protecting one’s face, respect for tradition, and reciprocation of greetings, favours, and gifts (Hofstede and Bond, 1988, p. 17).

This study focuses on the effect of power distance on the employees’ attitudes and behaviours due to its applicability in measuring organisational culture (Pratt and Beaulieu, 1992). As this study attempts to examine the cultural effect in both local and foreign firms located in Malaysia, the related dimension that can reflect the cultural value at the organisational level is needed. Moreover, power distance has also been identified as the relevant dimension that affects leadership in organisations (Hofstede, 1983; Lau and Tan, 1998). Examining only the power distance dimension in determining cultural effect is consistent with O’Connor’s (1995) empirical study where he used “[only] power distance...to derive expectations about the perceived appropriateness of budget participation at the organisational level” (p. 385).

Hypothesis Development

The difference in power distance index between countries in the Asian region and Anglo-American countries is clearly evidenced (Hofstede, 1983). While Malaysia scored at the highest end, with an index of 104, the score of foreign countries (Anglo-American countries- United States, Australia and Great Britain) ranges from 35 to 40 (Hofstede, 1980; 2001). It signifies that Malaysia is a high power distance country, whereas Anglo-American societies are amongst the low to moderate power distance countries.

However it has been debated whether the difference in the power distance score obtained in Malaysia and Anglo-American countries also occurs at the organisational level, between Malaysia's local firms and Anglo-American firms located in Malaysia. While there are many studies that examined the effect of cultural value in the organisation (O'Connor, 1995; Douglas et al., 2007; Etemadi et al., 2009; Soeters and Schreuder, 1988), only O'Connor (1995) recalculated the score of power distance and examined the differences in the power distance index between local and foreign firms. O'Connor (1995) examined the score obtained in power distance index of both local and Western firms operating in Singapore and found marginal support for the power distance difference between both types of firms. Frucot and Shearon (1991) concluded that it is not where the firm is situated but the home countries of the firm that will affect the culture. Extending the work of O'Connor (1995), this study aims to provide support for the results found in Singapore. It is hypothesised that the power distance score in local firms is higher than the power distance in Anglo-American firms operating in Malaysia. The following hypothesis is suggested:

H1: Power distance in local firms is higher than those in foreign (Anglo-American) firms

Budget participation is defined as a process in which the manager is involved and has control over the determination of the budget (Shields and Shields, 1998). The involvements of the managers in the budgeting process were found to increase performance (Brownell and McInnes, 1986), job satisfaction (Brownell, 1982) and organisational commitment (Nouri and Parker, 1998; Parker and Kyj, 2006). While budget participation is effective in Anglo-American countries, it is arguable whether the same effect occurs in high power distance countries (Frucot and Shearon, 1991; Hofstede, 1980; Lau and Tan, 1998; O'Connor, 1995). In the budgeting context, it is theorised that participation in high power distance societies is less effective compared to low power distance societies (Hofstede, 1980). The reason is mainly that the members of high power distance societies favour the autocratic style of leadership, in which the superior gives clear direction and goals to be achieved. In contrast, low power distance societies are more prone to participate in decision making, especially in those decisions that affect their task requirements and performance evaluation. This effectiveness affect the level of participation in such a way that the level of participation of managers in high power distance countries is lower than those in Anglo-American countries.

Moreover, the issue arises as to whether these differences in the level of power distance play a role in the level of budget participation practices at the organisational level. In other words, whether the level of budget participation is influenced by power distance value among Malaysian local firms and foreign subsidiary firms situated in Malaysia.

Thus, it is expected that the level of budget participation in local firms is lower than the level of budget participation in foreign firms. The following hypothesis is further suggested:

H2: Budget participation in local firms is lower than those in foreign (Anglo-American) firms

From a goal setting perspective, participation enables the creation of specific budgets, which improves task uncertainty. As the budget portrays clear directions to be headed, more positive feelings towards the budget emerge for its achievement. This in turn enhances the motivation level of the employees. Moreover, Bryan and Locke's (1967) experimental study proposed that by giving subjects a specific goal to be achieved, favourable attitudes would be portrayed in the task assignments. This positive attitude is further supported by subsequent researchers (Kenis, 1979; Merchant, 1981; Searfoss and Monczka, 1973) who suggest that participation leads to increasing motivation of employees.

While most of the studies that examine the relationship between budget participation and motivation revealed a significant positive relationship, the cultural differences may mitigate the relationship. In high power distance countries, even though participation is being practised, the effectiveness of the participation role can be questioned. Employees are normally given budget target that is imposed from the top management. This action

can demotivate employees since no opportunity is given to provide their views. On the other hand, for companies which have a low power distance culture, motivation may increase through participation.

O'Connor (1995) examined the influence of power distance on role ambiguity and the superior-subordinate relationship in the participatory environment. Using the sample of managers working in local and foreign firms situated in Singapore, he found that the effectiveness of participation is moderated by power distance culture, in which high power distance and low power distance culture shows a different result. Further support for the influence of culture on the management control system is found in Harrison et al. (1994), Douglas et al. (2007), Tsui (2001) and Etemadi et al. (2009).

While budget participation is related to motivation (Hofstede, 1968; Kenis, 1979; Merchant, 1981; Searfoss and Monczka, 1973), the impact of cultural differences on the relationship is rarely examined and to date there is no published study that examines whether cultural differences have interaction with participation in enhancing employees' motivation. In this study, it is proposed that power distance have a moderation effect in the relationship between budget participation and motivation. The following hypothesis is further suggested.

H3: Power distance moderates the relationship between budget participation and motivation

RESEARCH METHODOLOGY AND VARIABLE MEASUREMENT

Data was collected using a questionnaire survey sent to managers working in multi-sectors private firms who have budget responsibilities. To increase the response rate, the anonymity of the respondents was guaranteed. The distributed questionnaires also were accompanied with a cover letter, instructions for completing the survey and postage-paid return envelope to minimise the response bias.

As this study examines the possibility of the cultural influence in local and foreign subsidiaries firms situated in Malaysia, the target samples were drawn from foreign and local firms operating in Malaysia. For foreign firms, only Anglo-American firms which Hofstede (1980) has identified as having low to moderate score of power distance, were selected.

1000 questionnaires were distributed and only 108 returned, making up a response rate of 10.8%. 2 questionnaires were rejected since the company did not prepare the budget, thus 106 completed questionnaires (10.6%) were used for data analysis.

Measurement of Variable

a) Budget Participation

Budget participation is defined as the degree of involvement and influence managers has in budget setting process. The instrument is developed by Milani (1975) and consists of a six-item scale. It was measured based on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

This instrument has been used extensively and tested in management accounting studies of budget participation with high Cronbach alpha values. Studies that have adopted this instrument include Chong and Chong (2002), Brownell and McInnes (1986), Nouri and Parker (1998), Lau and Lim (2002) and Lau and Tan (2006). In this study, 0.85 Cronbach alpha was obtained.

b) Motivation

Motivation is related to engagement in a particular behaviour to achieve a desired goal. To operationalise the motivation construct, the three-item intrinsic motivation used in Dermer (1975) was applied in this study. It comprises of personal growth and development, a feeling of accomplishment and a sense of personal satisfaction. Measured on the basis of a five-point Likert scale anchored from 1 (strongly disagree) to 5 (strongly agree), this measurement has also been applied in Merchant (1981) and Kenis (1979). Cronbach alpha of 0.9 was recorded for this measurement.

c) Organisational Culture (Power Distance)

Power distance is defined as "the degree of centralisation of authority and the degree of autocratic leadership" (Hofstede, 1983, p.81). The measurement of power distance comprises three items. The first item addresses the perceptions of respondents' preference of decision making style practised by their superior; second item involves the respondents' perception of their superior's decision making style; and the third item concerns the frequency of the managers' fear of disagreeing with their superior. This measurement developed by Hofstede

(1980; 2001) has also been employed in Harrison et al. (1994), Lau and Tan (1998), Lau and Buckland (2000) and O'Connor (1995).

For the first and second items, the perceptions of preferred superior leadership style and perceived superior leadership style are: (1) autocratic; (2) persuasive; (3) consultative; and (4) democratic. For the third item, the response scale is a five-point Likert-type scale scored from 1 (very frequently) to 5 (very seldom). In order to determine the power distance index, the data was computed based on the formula suggested by Hofstede (1980; 2001).

RESULTS AND DISCUSSIONS

Table 1 shows the overall power distance index in Malaysia and the index for local and foreign (Anglo-American) firms operating in Malaysia.

Table 1: Power Distance Index

(a) Power distance index		(b) Power distance index after matching for age, education and position	
Overall (N=106)	46	Overall (N=25)	65
Local (N=75)	46	Local (N=15)	73
Foreign (N=31)	40	Foreign (N=10)	52

Those indexes were analysed to see whether there exist any difference in both types of firms. By employing the same measurement as in Hofstede (1980; 2001), overall the power distance index in Malaysia is 46 (Table 1(a)). This is quite surprising as the score obtained in this study is much lower than previously reported in Hofstede's, which scored 104. As expected, local firms have a higher power distance index than foreign firms. To determine whether the difference in power distance score for local firms is significantly higher than foreign firms, the calculation was done following the procedures used by Harrison (1992), Lau and Tan (1998) and O'Connor (1995), that used Hofstede's (2001) score as a base. The difference in the score between local and foreign firms is 6 (46-40) and it represents 0.27 standard deviation, based on a standard deviation of 22 in Hofstede distribution. The result demonstrates that the difference in the power distance index was not significant ($p=0.39$).

To confirm this result, a further investigation was done using the method suggested by Hofstede (1980) that examines the score or power distance index after matching the respondents according to age group, education level and position level. In other words, all respondents that have similar group of age, education and position are analysed. This method of index computation was also applied in O'Connor (1995). In this study, based on the age group of 30 to 40 years old, holding bachelor degree and working in middle level positions, the total number of respondents is 25 which comprise of 15 local and 10 foreign firms. The results are shown in Table 1(b).

The power distance index in Malaysia is 65 overall. This is higher than previously calculated in Table 1(a). The index for local firms is 73 and for foreign companies the score is 52. Again, as expected, local firms have higher power distance index than in foreign firms. However, this result is much more meaningful as it shows higher difference between the firms owned by local and foreign companies.

To examine whether any significant difference exists in the two scores, similar calculation was performed. The difference in the score between local and foreign firms is 21 (73-52) and represents 0.95 standard deviation (based on standard deviation of 22 in Hofstede distribution). Likewise, no significant results were recorded for the difference in power distance index for both firms ($p=0.17$). Thus, even though there is difference in the power distance score in local and foreign firms, the difference was not significant to support H1.

As these results were quite surprising, the analysis of the changes in power distance index between Hofstede (1980; 1983; 2001) and other studies (Harrison, 1992; Harrison et al., 1994; O'Connor, 1995) were conducted. Table 2 shows the results.

Table 2: Changes of Power Distance Index

	Power Distance Index from Previous Studies	Power Distance Index from Hofstede (1980)
Singapore		
Hwang (1989)	67	74
Harrison (1992)	92	
Harrison et al. (1994)	73	
O'Connor (1995)	61	
Lau et al. (1995)	60	
Lau and Tan (1998)	63	
Australia		
Hwang (1989)	2	36
Harrison (1992)	58	
Lau et al. (1995)	26	
Lau and Tan (1998)	41	
Norway		
Lau and Buckland (2000)	-10	31

Adapted from Lau and Buckland (2000, p.47), Lau and Tan (1998, p.174) and O'Connor (1995, p.390).

It can be seen from the table that there are changes in the power index score obtained in Hofstede (1980; 1983) and certain studies. Thus there is highly likely that the score in Malaysia also differs from the one reported in Hofstede (1983; 2001). Moreover, the score reported in Hofstede (1983) is based on the research conducted in 1967 to 1978, which is about 30 years ago; the validity of the score is arguable. The index may no longer be accurate and might have changed in the new millennium as most of the Asian countries are experiencing fast economic growth (Lau et al., 1995).

Moreover, the changes in power distance index in Malaysia are likely to be due to the internalisation and globalisation effect (Lau and Tan, 1998) among employees either in local or foreign firms. In this globalisation era, more employees have an external education background which may bring down the power distance effect in these local firms. Further, the globalisation era may promote openness in communication between employees and employers which provide employees more opportunities and proactive in the firms' decision making compared to the traditional working environment.

To test Hypothesis 2, t-tests were conducted to examine whether budget participation practices in local firm is lower than foreign firm. Table 3 shows that there were slightly difference in the budget participation practices between local and foreign firms and the difference was not significant ($t=-0.486$, $p>0.1$). Thus, there was no supportive evidence to infer that budget participation in local firms is lower than in foreign firms.

Table 3: T-Test Examining the Difference in Budget Participation Level

Variables	Means		T-test t-value (p)
	Local (N=75)	Foreign (N=31)	
Budget Participation	3.57	3.65	-0.486 (0.628)

To test the moderating variables of power distance on the relationship between budget participation and motivation (H3), moderated regression analysis was used. Following O'Connor (1995), to test the moderation effect, the local and foreign firms sample were combined. A dummy variable of 0 and 1 was used to represent for local (high power distance) and foreign firms (low power distance) respectively.

The regression equation is as follows:

$$Y = b_0 + b_1 P + b_2 C + b_3 PC + e,$$

Where,

Y = motivation;

P = budget participation;

C = types of firms, local (0) and foreign (1), and e = error term.

The equation was tested to determine whether the coefficient for the two-way interaction between budget participation and power distance is significantly different from zero. Table 4 shows the results for the effect of interactions between budget participation and power distance on motivation.

Table 4: Results of Interaction between Budget Participation and Power Distance on Motivation

Variable	Coefficient	Value	Standard error	t-value	p-value
Hypothesis 3					
DV = Motivation					
Intercept	b_0	3.10	0.46	6.72	0.00
Participation (P)	b_1	0.33	0.13	2.58	0.01
Organisational Culture (C)	b_2	-0.37	0.79	-0.47	0.64
P x C	b_3	0.10	0.21	0.46	0.65
$R^2 = 0.11$, Adjusted $R^2 = 0.09$, $F = 4.31$, $Sig = 0.07$					

It can be seen that the coefficient of the two-way interaction between budget participation and power distance (b_3) for the hypothesis are not significant ($p > 0.1$). It can be concluded that power distance does not moderate the relationship between budget participation and motivation, thus H3 cannot be supported.

The insignificant result was due to the insignificant differences of cultural value among Malaysian managers in both local and foreign firms. The results suggest that there were no moderating role played by power distance in affecting budget participation practices. Budget participation significantly enhances motivation, for both local and foreign firms.

CONCLUSIONS AND LIMITATION

The objective of this study is to examine the current level of power distance in Malaysia as a whole and also the local and foreign firms operating in Malaysia. It also attempts to provide empirical evidence for the role of power distance as moderating variable on the relationship between budget participation and motivation.

It is evidenced in this study that not only Malaysia, but also both types of firms have scored a moderate level of power distance. Thus it provides insignificant differences result for the levels of power distance index in Malaysia and foreign subsidiaries firms situated in Malaysia. This result is consistent with the analysis of participation level that shows an average level of participation practices by both local and foreign companies.

Moreover, this study also shows that there was not enough evidence to provide support for the moderating role of power distance in the relationship between budget participation and motivation. It can be concluded that budget participation is effective in enhancing employees' motivation, regardless on the ownership structure of the firms.

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

The conflicting findings may be due to several reasons. In line with the rapidly changing business environment nowadays, qualification and international exposure to different cultures might be two of the reasons to explain the lack of differences in power distance among local and Anglo-American firms in Malaysia. This notion is supported by Lau and Tan's (1998) study which did not find significant relationship between culture and evaluative style, probably due to tertiary education hold by managers. Moreover based on the report provided by The Star in Malaysia, which cited the Ernst & Young's 2010 Globalisation Index, the globalisation index of Malaysia is improving with openness to trade scoring 6.2 out of 10. This led to the increment of foreign direct investment to Malaysia which may have diluted the cultural values of local managers to lower power distance due to the assimilation process of local and foreign culture. Heuer et al. (1999) also provided empirical evidence for the insignificant difference in the power distance between Indonesia and US. They concluded that the rapid economic growth in Indonesia as the reason for the finding, in which the managers "may have adopted attitudes toward management and organisational interaction that are less hierarchical" (p. 608).

This study contributes to the existing literature by providing recent power distance index in Malaysia. While the index is moderately lower than previously reported by Hofstede (1983), it may be due to the internalisation and globalisation exposure that most of the Malaysian managers have. As the research conducted by Hofstede

(1980; 2001) was carried out from 1967 to 1978, the index may no longer represent the current power distance index of Malaysia's current population.

Further, in this globalisation era, most of the Asian countries are experiencing fast economic growth (Lau et al., 1995), with increasing number of local managers having an overseas education background, especially from Anglo-American countries such as USA, UK and Australia. The managers also may pursue education in private institution of higher learning in Malaysia, which have twinning programme with Anglo-Americans' institution. This may possibly reduce the power distance effect through the socialisation process practices in other countries. Finally, the globalisation era nowadays may promote direct communication among various levels of employees in the organisation, thus employees are more participate in the firm's decision making.

For the practical implication, while the recent power distance index in Malaysia would be categorised as moderately low, it may indicate the readiness of Malaysian managers to actively participate in decision making particularly in those decisions that directly affect them. Being actively involved in the budget setting process may give opportunities for the managers to determine a fair and favourable budget and make them put some degree of effort into achieving the goals that have been set. It is also shown in this study that budget participation enhances motivation of managers working in Malaysian firms.

As with other studies, this study also subject to some limitations which provide some opportunities for future research. One of the limitations in this study is the respondents' background. While local and foreign firms participated in the questionnaire survey, all the respondents are Malaysian managers. The responses from the foreign managers working in Malaysia may provide more meaningful result. However, the sampling design of this study is consistent with Douglas et al. (2007), O'Connor (1995) and Soeters and Schreuder (1988) who collected data from local and foreign firms operating in the same nation, where the respondents of these studies were also locals. Future research may consider obtaining adequate sample of local and foreign respondents working in local and foreign firms, respectively.

Secondly, since no significant evidence found for the effect of power distance in both local and foreign firms in private firms, future research may consider examining similar variables in other setting, for example in family-owned firms or in government sectors. The comparative results may provide further evidence for the influence of power distance.

Thirdly, this research also examines the moderating role of power distance, one of the many dimensions of cultural value, in which the measurement used "may be incomplete" (Lau and Tan, 1998; p. 181). Future research may consider other dimensions, such as individualism, which may provide more evidence of its effect on the management control system.

Despite its limitations, this study has provided evidence to the current level of power distance index in Malaysia. Budget participation is effective in improving the motivation of the managers in Malaysia. This effectiveness however, is not influenced by the cultural value in local and foreign firms.

REFERENCES

- Brownell, P. (1981). Participation in budgeting, locus of control and organisational effectiveness. *The Accounting Review*, 56(4), 844-860.
- Brownell, P. (1982). A field study examination of budgetary participation and locus of control. *The Accounting Review*, 57(4), 766-777.
- Brownell, P. and McInnes, M. (1986). Budgetary participation, motivation and managerial performance. *The Accounting Review*, 49(4), 587-600.
- Bryan, J. F. and Locke, E. A. (1967). Goal setting as a means of increasing motivation. *Journal of Applied Psychology*, 53 (3), 274-277.
- Cherrington, D. J. and Cherrington, J. O. (1973). Appropriate reinforcement contingencies in the budgeting process. *Journal of Accounting Research*, 11, 225-253.
- Chong, V. K. and Chong, K. M. (2002). Budget goal commitment and informational effects of budget participation on performance: a structural equation modeling approach. *Behavioural Research in Accounting*, 14, 65-86.
- Dermer, J. (1975). The interrelationship of intrinsic and extrinsic motivation. *Academy of Management Journal*, 18(1), 125-130.
- Douglas, P. C., HassabElnaby, H., Norman, C. S. and Wier, B. (2007). An investigation of ethical position and budgeting systems: Egyptian managers in US and Egyptian firms. *Journal of International Accounting, Auditing and Taxation*, 16, 90-109.

- Etemadi, H., Dilami, Z. D., Bazaz, M. S. and Parameswaran, R. (2009). Culture, management accounting and managerial performance: focus Iran. *Advances in Accounting, incorporating Advances in International Accounting*, 25, 216-225.
- Frucot, V. and Shearon, W. T. (1991). Budgetary participation, locus of control, and Mexican managerial performance and job satisfaction. *The Accounting Review*, 66, 80-99.
- Harrison, G. L. (1992). The cross-cultural generalisability of the relation between participation, budget emphasis and job-related attitudes. *Accounting, Organisations and Society*, 17(1), 1-15.
- Harrison, G. L., McKinnon, J. L., Panchapakesan, S. and Leung, M. (1994). The influence of culture on organisational design and planning and control in Australia and the United States compared with Singapore and Hong Kong. *Journal of International Financial Management and Accounting*, 5(3), 242-261.
- Heuer, M., Cummings, J.L. and Hutabarat, W. (1999). Cultural stability or change among managers in Indonesia? *Journal of International Business Studies*, 30(3), 599-610.
- Hofstede, G. H. (1968). *The Game of Budget Control*, London: Assen Tavistock.
- Hofstede, G. H. (1980). *Culture's Consequences: International Differences in Work Related Values*, Beverly Hills, CA: Sage.
- Hofstede, G. (1983). The cultural relativity of organisational practices and theories. *Journal of International Business Studies*, 14, 75-89.
- Hofstede, G. H. (1984). The cultural relativity of the quality of life concept. *Academy of Management Review*, 9(3), 389-398.
- Hofstede, G. H. (2001). *Culture's Consequences: Comparing Values, Behaviours, Institutions and Organisations across Nations*, 2nd ed., Beverly Hills, CA: Sage.
- Hofstede G. H. and Bond M. H. (1988). The Confucius connection: from cultural roots to economic growth. *Organisational Dynamics*, 5-21.
- Hwang, S. C. (1989). The effect of culture on the relationship between participation and motivation. Unpublished Ph.D. dissertation, Macquarie University.
- Kenis, I. (1979). Effects of budgetary goal characteristics on managerial attitudes and performance. *The Accounting Review*, 54(4), 707-721.
- Lau, C. M. and Buckland, C. (2000). Budget emphasis, participation, task difficulty and performance: the effect of diversity within culture. *Accounting and Business Research*, 31(1), 37-55.
- Lau, C. M. and Lim, E. W. (2002). The intervening effects of participation on the relationship between procedural justice and managerial performance. *British Accounting Review*, 34, 55-78.
- Lau, C. M. and Tan, J. J. (1998). The impact of budget emphasis, participation and task difficulty on managerial performance: a cross-cultural study of the financial services sector. *Management Accounting Research*, 9, 163-183.
- Lau, C. M. and Tan, S. L. C. (2006). The effects of procedural fairness and interpersonal trust on job tension in budgeting. *Management Accounting Research*, 17, 171-186.
- Lau, C. M., Low, L. C. and Eggleton, I. R. C. (1995). The impact of reliance on accounting performance measures on job-related tension and managerial performance: additional evidence. *Accounting, Organisation and Society*, 20(5), 359-381.
- Lindquist, T. M. (1995). Fairness as an antecedent to participative budgeting: examining the effects of distributive justice, procedural justice and referent cognitions on satisfaction and performance. *Journal of Management Accounting Research*, 7, 122-139.
- Merchant, K. A. (1981). The design of the corporate budgeting system: influences on managerial behaviour and performance. *The Accounting Review*, 56, 813-829.
- Milani, K. (1975). The relationship of participation in budget-setting to industrial supervisor performance and attitudes: a field study. *The Accounting Review*, 50(2), 274-284.
- Nouri, H. and Parker, R. J. (1998). The relationship between budget participation and job performance: the roles of budget adequacy and organisational commitment. *Accounting, Organisations and Society*, 23(5/6), 467-483.
- O'Connor, N. G. (1995). The influence of organisational culture on the usefulness of budget participation by Singaporean-Chinese managers. *Accounting, Organisations and Society*, 20(5), 383-403.
- Parker, R. J. and Kyj, L. (2006). Vertical information sharing in the budgeting process. *Accounting, Organisations and Society*, 31, 27-45.
- Pratt, J. and Beaulieu, P. (1992). Organisational culture in public accounting: size, technology, rank, and functional area. *Accounting, Organisations and Society*, 667-684.
- Searfoss, D. G. and Monczka, R. M. (1973). Perceived participation in the budget process and motivation to achieve the budget. *Academy of Management Journal*, 16, 541-554.
- Shields, J. F. and Shields, M. D. (1998). Antecedents of participative budgeting. *Accounting, Organisations and Society*, 23(1), 49-76.

- Soeters, J. and Schreuder, H. (1988). The interaction between national and organisational culture in accounting firms. *Accounting, Organisations and Society*, 75-85.
- Tang T. L. and Sarsfield-Baldwin, L. J. (1996). Distributive and procedural justice as related to satisfaction and commitment. *SAM Advance Management Journal*, 61(3), 25-31.
- Tsui, J. S. L. (2001). The impact of culture on the relationship between budgetary participation, management accounting systems, and managerial performance: an analysis of Chinese and Western managers. *The International Journal of Accounting*, 36, 125-146.