



Reconsidering the participative budgeting–performance relation: A meta-analysis regarding the impact of level of analysis, sample selection, measurement, and industry influences



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ABSTRACT

The relationship of participative budgeting with performance presents a much debated but still unsettled issue in management accounting research. In this paper, meta-analysis is used to explore, whether methodological concerns, such as the level of analysis, sample selection, and variations in the measurement of performance, and theoretical concerns, such as industry differences, help explain observed inconsistencies in prior results. In line with theoretical predictions, the overall participative budgeting–performance relation is positive and significant. Moreover, this relation and the positive, significant ones of participative budgeting with departmental, budgetary, and managerial performance generalize across settings. In addition, for the relation with managerial performance, moderating influences of objective versus subjective and relative versus absolute self-rating measures of performance as well as private versus public sector samples emerge, which thus are important boundary conditions for future theory development. In contrast to theoretical predictions, the relation of participative budgeting with organizational performance is heterogeneous and does not generalize across settings.

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1. Introduction

Whether participative budgeting is positively related to performance, is a debated but still unsettled issue (e.g. Agbejule & Saarikoski, 2006; Chong, Eggleton, & Leong, 2005b; Jermias & Yigit, 2013; Leach-López, Stammerjohan, & McNair, 2007; Parker & Kyj, 2006), which is disconcerting, because understanding this relationship is highly important. First, participative budgeting continues to be an important element of budgetary control, although it currently is criticised by researchers and practitioners alike. Several criticisms of budgetary control, such as that setting budget goals is time-consuming, expensive, and subject to considerable manipulations (e.g. Hansen, Otley, & Van der Stede, 2003; Sivabalan, Booth, Malmi, & Brown, 2009), are directly linked to the defining elements of participative budgeting, managers' involvement in, and

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