

Budget Participation and Managerial Performance: Bridging the Gap through Budget Goal Clarity

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ABSTRACT

Budget participation is an important management tool that improves employee motivation, commitment, and performance by providing a sense of ownership and control over the budgeting process. This study examines the impact of budget participation on managerial performance in higher education institutions (HEIs). More specifically, the research aims to investigate the effect of budget participation on managerial performance through the mediating role of budget goal clarity. A survey was conducted with 373 low- to middle-level managers from HEIs in Iraq, and the research model was tested using PLS-SEM. The results indicate that budget participation positively influences budget goal clarity, which, in turn, positively affects managerial performance. Furthermore, the study reveals that budget goal clarity partially mediates this relationship. The strategic integration of these findings into managerial practices and decision-making processes can unleash substantial and tangible benefits in terms of employee engagement, skyrocketing productivity, and overall organizational success.

Keywords: Budget goal clarity, Budget participation, Higher education institutions, Managerial performance

INTRODUCTION

The success or failure of an organization can be seen from the exposure of the resulting performance [1]. This performance represents and embodies the vision and mission of the organization. Luthans et al. [2] discuss the significance of performance as a highly desirable

outcome of organizational behavior. Performance results from workers fulfilling their duties with sincerity and experience. The responsibility within the organization lies with the manager, who must adequately fulfil their duties and obligations to achieve the organization's goals [1]. Currently, most organizations, including universities in Iraq, are plagued by severe and persistent performance issues [3]. Despite a significant boost in the financial allocations to Iraqi higher education institutions, they have consistently fallen short of achieving the modern organizational standards expected in their broad range of activities and the diverse services they offer [4]. Surprisingly, the statistics provided by the Ministry of Finance and the Department of Budgeting reveal that universities have been granted substantial budgets in recent years, surpassing their pre-2010 funding levels by a significant margin. However, despite these massive financial resources, Iraqi public universities have been unable to make tangible improvements to their performance [3,5]. This distressing predicament represents a critical and urgent problem that public universities in Iraq must address promptly [4]. The lack of effective communication between officials and lower-level employees regarding budget matters, as identified by Riyadh and Nugraheni [6], stands as one of the key contributors to this poor performance. Extensive literature demonstrates the influential role of involvement in the budgeting process on managers' performance, as highlighted by [7–9].

Budget participation denotes to the extent to which individual managers are involved and have influence in the budgeting process [10]. The significance of adopting a participative approach is increasingly recognized as a management practice in various regions of the world [6,8]. As a result, budget participation has become one of the most extensively studied subjects in the field of management accounting [6,8,11]. While some previous research in behavioral accounting has supported a positive association between budget participation and performance [12–14], other researchers have been unable to validate this finding [e.g., 15,16]. The inconsistent in the results encouraged the researchers to use mediator variables to investigate this relationship, such as information sharing [17], job-relevant information [18], job satisfaction [19], and organizational commitment [20]. However, far too little attention has been paid to the role of budget goal clarity as a mediator variable in this relationship. Moreover, the literature refers that limited research exists on budget participation in the Middle East and North Africa (MENA) region [21], especially in Iraq [22].

Given the above insights, the present study seeks to examine whether budget goal clarity mediate the relationship between budget participation and managerial performance (refer Figure 1. One of the mechanisms of budget participation is the cognitive mechanism, which functions as a conduit for information sharing and enhances understanding of goals [11]. In contrast, goal-setting theory refers that goal clarity leads to high performance [23]. Consistent with this view and based on this theory, budget goal clarity and have been selected as a consequence cognitive mechanism of budget participation.

This study significantly advances the accounting and management literature by rigorously examining the crucial role of budget goal clarity as a mediator in the intricate connection between budgetary participation and managerial performance. By filling a critical research gap concerning budget studies in the MENA region, with a specific focus on budget participation in Iraq, it brings to light a previously unexplored area of investigation. Moreover, this study underscores the immense significance of budget participation by demonstrating its profound impact on enhancing managerial performance, thereby establishing its indispensable role in

driving organizational success. The remainder of the paper is structured as follows. The next section discusses prior studies and the development of hypotheses. Following this, a detailed description of the research methodology, data collection procedures, and analysis are provided. The penultimate section discusses the results. Lastly, the conclusion section of the study summarizes key insights and implications.

RESEARCH FRAMEWORK

The proposed model shows that the effect of budget participation on performance is suggested to be mediated by budget goal clarity. The research framework of this study is based on goal-setting theory. This theory provides a framework for understanding how individuals set and pursue goals and how this process affects their performance [24]. According to this theory, specific, challenge, feedback, task complexity, and commitment to the goals are important factors for individuals to achieve their desired outcomes [23]. The primary concept in goal-setting theory is that setting specific and challenging goals increases motivation and performance. In organizational behavior, goal-setting theory suggests that individuals involved in setting their own goals are more likely to be committed to achieving them, which in turn can lead to improved performance outcomes [25]. In the context of budget participation, involving managers in the budgeting process can lead to increased clarity to budget goals [11], which in turn can enhance performance [26]. The research framework includes significant mediating variable, which is budget goal clarity. The mediating role of budget goal clarity suggests that the effect of budget participation on managerial performance is operates through this intermediary variable. Thus, managers who are more involved in the budgeting process may better understand the goals and objectives and may, which can lead to improved performance outcomes.

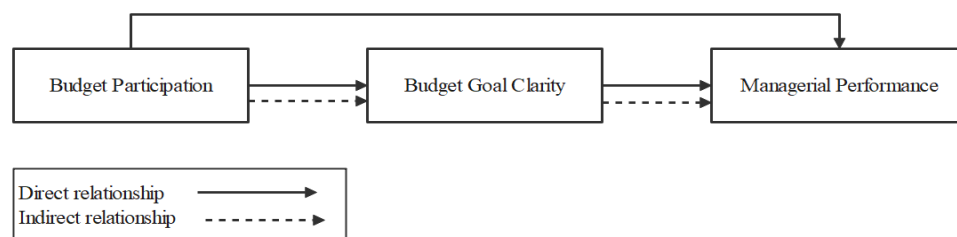


Figure 1: The research framework

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Budget Participation and Budget Goal Clarity

Budget goal clarity refers to the level of understanding managers have regarding the budget goals they are responsible for implementing [27]. The concepts of budget participation and budget goal clarity are closely intertwined during the budgeting process. When individuals are given the opportunity to participate in creating the budget, they are more likely to comprehend the organization's goals and their significance. This understanding ultimately improves their clarity and comprehension of the budget goals and objectives. Research indicates that involving individuals in budgeting positively impacts goal clarity. For instance, Jermias and Yigit [14] discovered that involving subordinates in setting goals helps them gain additional information about their work, reducing any ambiguity surrounding their roles. Similarly, Macinati et al. [9] conducted a study revealing that participation enhances role clarity by equipping managers with crucial information that enables them to understand their managerial roles' expectations,

responsibilities, and obligations. Additionally, Chong and Chong [28] argued that budget participation enables subordinates to gather, exchange, and distribute job-related information, thereby improving their decision-making abilities and enhancing role clarity. Consequently, participating in the budgeting process is likely to result in clear budget goals. Thus, the following hypothesis is developed:

- H1: Budget participation has a positive impact on budget goal clarity.

Budget Goal Clarity and Managerial Performance

Drawing from the goal-setting theory, it is established that specific and well-defined goals contribute to improved performance [29]. In the context of the budgeting process, budget goal clarity holds significant importance as it equips managers with a clear comprehension of the organization's objectives and priorities. This understanding has the potential to influence managerial performance by enabling managers to align their efforts and resources with the established goals and make informed decisions. Previous research has indicated that goal clarity diminishes role ambiguity and assists employees in understanding expectations, ultimately facilitating goal attainment [e.g., 30,31]. Furthermore, individuals who clearly understand the organization's budget goals are more inclined to enhance their performance [18]. Conversely, a lack of clear budget goals may result in ambiguity, lack of focus, and diminished performance. Based on these arguments, the research formulates the following hypothesis:

- H2: Budget goal clarity has a positive impact on managerial performance

Budget Participation and Managerial Performance

Budgetary participation is anticipated to yield favourable behavioral outcomes due to employees perceiving it as an essential issue [32]. The involvement of managers in the budgeting process tends to equip them with comprehensive knowledge regarding financial restrictions, priorities, and resource availability. According to Isgiyarta et al [18], budgetary participation is the application of participatory management principles to the budget, affording managers a voice in the budgeting process that can subsequently be utilized to assess their effectiveness. Furthermore, budget participation has the potential to enhance communication and coordination among managers and their subordinates [33]. When managers engage their team members in budgeting, it cultivates transparency and facilitates open dialogue. This collaborative approach fosters a sense of ownership, trust, and teamwork, ultimately resulting in enhanced managerial performance [8]. A substantial body of literature demonstrates a positive association between budget participation and managerial performance [1,34,35]. These studies underscore the positive outcomes stemming from the acquisition and exchange of information between employees and their superiors through the budgetary participation process, enabling employees to gain insights into more effective methods of task completion. Consequently, based on the aforementioned discourse, budgetary participation is expected to be linked to positive employee outcomes, thereby warranting the examination of the following hypotheses.

- H3: Budget participation positively affects managerial performance.

Mediating Effect of Budget Goal Clarity

The hypothesis is derived from goal-setting theory, which posits that clear organisation goals directly impact employees' behavior, ultimately influencing their performance [18]. In the context of budget participation, the level of goal clarity serves as a cognitive mechanism.

Jermias and Yigit [14] argue that when subordinates participate in the budget process, they gain additional information about their work, reducing role ambiguity. Furthermore, involvement in budget processes can enhance role clarity as managers gain crucial insights into the expectations, responsibilities, and obligations associated with their managerial roles, thereby motivating individuals to achieve their goals [36].

A key principle underlying the goal-setting theory is that individuals who strive for specific and clearly defined goals are more likely to improve their performance compared to those pursuing vague goals [29]. Empirical evidence supports the notion that individuals with specific goals are more motivated to achieve them [37].

Moreover, the theory suggests that employees find it easier to understand what they need to accomplish when goals are well-defined [38]. The existing literature consistently indicates a positive relationship between budget goal clarity and performance [e.g., 9, 27]. Therefore, organizations can enhance their performance by involving individuals in budgetary decisions and providing a clear understanding of the organization's budget goals. Building upon this rationale, the following hypothesis is formulated:

- H4: Budget goal clarity positively mediates the relationship between budget participation and managerial performance.

RESEARCH METHODOLOGY

Sample and Procedure

A questionnaire survey was used to collect data from managers in Iraqi public universities. These universities were chosen as the research subject because most had poor performance [39]. The respondents included deans of faculty, vice deans, heads of scientific departments, and financial managers. This group of samples have been chosen because they are the most likely individuals to participate in the budget process based on the structure of faculties in Iraqi HEIs.

The questionnaire was initially developed in English based on previous literature. Most people in Iraq speak Arabic; therefore, the questionnaire was translated from English to Arabic. To achieve internal consistency and cross-cultural measurement reliability, two individuals translated the instrument into Arabic and back into English Shields et al [40]. The table developed by Krejcie and Morgan [42] was used to calculate sample size. The number of managers in Iraqi public universities is 3,072 managers (Ministry Of Higher Education & Scientific Research). Hence, the minimum sample size, according to this table, is 341 participants. The researchers collected data using hardcopy surveys and distributed 630 questionnaires to participants. Only 391 questionnaires were fully completed, resulting in a response rate of 62%.

Measurement of Variables

All constructs were measured using a 5-point Likert scale, with responses ranging from 1 (strongly disagree) to 5 (strongly agree). The number of items, resources, and Likert scale used to measure each variable are presented in Table 1.

Table 1: Measurement Items.

Constructs	Items	Source	Likert-scale
Budget Participation	6	[11]	1 "Strongly disagree" to 5 "Strongly agree"
Managerial Performance	9	[11]	1 "very low" to 5 "very high"
Budget Goal Clarity	5	[44]	1 "Strongly disagree" to 5 "Strongly agree"

Data Analysis Tool

The study used SmartPLS 4 software to test hypotheses using partial least squares structural equation modeling (PLS-SEM). PLS-SEM was chosen due to its advantages, such as high prediction accuracy and suitability for small sample sizes [45]. It is a useful method for examining associations between variables in a comprehensive model. While PLS-SEM can handle both normal and non-normal data, abnormal data can increase standard errors during bootstrapping [46]. Although the PLS-SEM work with non-normality data; however, testing of normality data was conducted in this study, and the results indicated a normal distribution based on skewness and kurtosis values close to zero.

FINDINGS AND DISCUSSION

The present study used structural equation modeling to analyze relationships between variables in a research model. It includes two parts assessment of measurement model and an assessment of structural model. While the assessment of the measurement model aims to measure the reliability and validity of the model, the structural model aims to test causal relationships between exogenous and endogenous variables.

Assessment of Measurement Model

Convergent and discriminant validity are two important aspects of measuring the validity of a model. Convergent validity refers to the extent to which different measures of the same construct agree or converge, indicating the consistency and coherence of the measurements. On one hand, convergent validity is typically evaluated using factor loadings ($FL > 0.7$), composite reliability ($CR > 0.7$), and average variance extracted ($AVE > 0.5$). On the other hand, discriminant validity is evaluated by showing that the constructs are not correlated with other constructs that are theoretically different. It is typically evaluated using Heterotrait-monotrait ratio (HTMT) [46]. Table 2 shows that the model has no issues regarding convergent validity because all items exceeded the minimum values. Factor loadings were above 0.7, AVE values exceeded the minimum value of 0.5, and CR was above 0.7. Regarding discriminant validity, the results confirm that all constructs have sufficient discriminant validity as evidenced by the HTMT values below 0.85 [47]. As shown in Table 3 no multi collinearity problem exists between the constructs, implying that each construct measures a unique and distinct concept and has no solid link to other constructs.

Table 2: Measurement Model Summary

Construct	Items	FL	CR	AVE
Budget participation	I am involved in setting all of my budgets	0.701	0.928	0.683
	My administrator clearly explains budget revisions	0.821		
	I have frequent budget-related discussions with my administrator	0.882		
	I have a great deal of influence on my final budget	0.879		
	My influence to the budget is very important	0.856		

	My administrator initiates frequent budget discussions when the budget is being prepared	0.821		
Managerial performance	Planning for your area of responsibility	0.778	0.940	0.664
	Investigating issues in your area	0.785		
	Coordinating your department's activities	0.837		
	Evaluating subordinates' activities	0.804		
	Negotiation in the scope of your responsibility	0.809		
	Supervising staff	0.848		
	Obtaining and keeping suitable staff	D		
	Representing the interests of your area	0.773		
	Overall performance	0.860		
Budget goal clarity	The budget goals are very clear	0.886	0.918	0.738
	I know precisely what my budget goals are	0.865		
	The budget goals are not clear	0.856		
	I know which of my budget goals are most significant	D		
	I have a clear sense of priorities for budget goals	0.756		
Abbreviations: FL, factor loading; AVE, average variance extracted; CR, composite reliability; D, delete				

Table 3: Discriminant validity based on HTMT method

No.	Constructs	1	2	3
1	Budget Goal Clarity			
2	Budget Participation	0.729		
3	Managerial performance	0.751	0.834	

Assessment of Structural Model

Once the measurement model's validity was confirmed, the researcher proceeded to estimate the hypothesized structural model based on Figure 1. To ensure accuracy, the potential issue of collinearity was examined. Table 4 shows that the VIF scores for each construct were below 3.3, indicating no collinearity concerns. This finding ensures that the model results can be interpreted confidently. The results show that budget participation has a positive effect on budget goal clarity ($\beta = 0.0648$, $t = 19.744$, $p < 0.01$) and, budget goal clarity positively impacts managerial performance ($\beta = 0.298$, $t = 6.359$, $p < 0.00$). Moreover, the finding refers that budget participation ($\beta = 0.0582$, $t = 15.222$, $p < 0.000$) has positive affect on managerial performance. Consequently, the direct hypotheses, including H1, H2 and H3, have been accepted. The mediating role of budget goal clarity was not analyzed on the basis of Baron and Kenny (1986) approach because of its limitations, such as (1) low statistical power, (2) not directly testing the specific indirect effect significance, and (3) not accommodating models with inconsistent mediation or quantifying the mediation effect magnitude [49]. Therefore, the present study applied Preacher and Hayes (2008) to test mediator role of budget goal clarity. The H4 were developed to explore the mediating role of budget goal clarity on relationship between budget participation and managerial performance. As shown Table 4, the results indicated that the analysis offered strong support for the mediating role of each budget goal clarity ($\beta = 0.119$, $t = 4.2044$, $p < 0.01$).

Table 4: Path Coefficient of the Research Hypotheses

Hy	Direct path	Std Beta	St. Error	T-t	P-v	VIF	f ²	Decision
H1	BP -> BGL	0.648	0.033	19.744	0.001	1.720	0.720	Supported**
H2	BGL -> MP	0.298	0.047	6.359	0.000	1.000	0.147	Supported**
H3	BP -> MP	0.582	0.038	15.222	0.000	1.720	0.563	Supported**
H4	BP-> BGL -> MP	0.193	0.032	5.978	0.000			Supported**
BP = Budget Participation; BGL = Budget Goal Clarity; MP =Managerial Performance; *p < 0.05, **p < 0.01.								

Predictive Relevance (R²) and Predictive Accuracy (Q²)

The R² values vary from 0 to 1, with higher values indicating better predictive accuracy. Higher R² values indicate a better fit of the model. Where 0.67, 0.33, and 0.19 describe substantial, moderate, or weak levels of predictive accuracy, respectively [51]. Managerial performance has the highest R² value (0.651), and budget goal clarity is (0.420), as shown in Table 4. In this case, the predictive accuracy of variables is moderate, as Chin (1998) emphasized. The Q² values represent the predictive relevance of the model for the respective endogenous latent variables. A Q² value greater than zero indicates sufficient predictive relevance [52]. As shown in Table 4, all Q² values are above zero, with managerial performance having the highest value (0.597), and budget goal clarity (0.416). This finding implies that the model holds adequate predictive relevance for all three variables.

Table 4: The Results of Predictive Accuracy (R²) and Predictive Relevance (Q²)

Construct	R ²	Q ²
BGL	0.420	0.416
MP	0.651	0.597

The effect size (f²) value represents the proportion of variance in the dependent variable explained by the independent variable (s) after accounting for other variables in the model. According to Cohen (1988), values of f² greater than 0.35 are considered high, while values between 0.02 and 0.15 are considered small and medium, respectively. However, no effect size with f² values less than 0.02 exists in present study. The result revealed that budget participation greatly affects budget goal clarity and managerial performance. At the same time, budget goal clarity also had a medium effect on managerial performance, as shown in table 4.

Building on goal-setting theory, the current study proposed a mediation model in which budget goal clarity mediates between budgetary participation and managerial performance. The results of the research are consistent with the principle of goal-setting theory regarding the clarity of goals and their impact on improving performance. Also, it confirms the results reported by previous management accounting research. The finding emphasises that managers will better understand goals and objectives when they are involved in the budgeting process. By actively participating in budgeting decisions and discussions, managers gain valuable insights into the desired outcomes and expectations associated with the budget. This, in turn, facilitates a better alignment between their actions and the organization's strategic objectives, ultimately leading to improved performance results. This means that the active participation of managers in budget-related activities effectively enhances their comprehension of budget goals, facilitating a clearer path towards their achievement. Consequently, a strong alignment between participation and goal clarity emerges as a catalyst for improved managerial performance. The finding highlights the significance of fostering a collaborative approach to

budgeting, where managers' involvement and contributions are recognized as instrumental in enhancing budget goal clarity and, subsequently, managerial performance. The results are consistent with [54], who found that participation in the budget is positively linked to role clarity. Moreover, this finding supports the past literature which refers that goal clarity have a positive effect on performance [55]. Regarding the mediation role, the analysis also showed that budget goal clarity mediates the relationship between budget involvement and managerial performance. Managers' budget participation enhances budget communication and understanding. Clear goals assist managers in clearly communicating expectations and standards to employees [56]. Coordination, teamwork, and informed decision-making boost performance with this common understanding. This view conforms with earlier studies, which found evidence of the mediating role of budget goal commitment [11]. As a result, the findings of this study found that budget goal clarity partially mediates the link between budgetary participation and managerial performance.

Contributions of the Study

This work offers several theoretical and practical contributions to existing knowledge. It examined cognitive mechanisms of budget participation according to goal-setting theory, whereas most research has been focused on the motivational role of participation [8,11]. These mechanisms were examined by the mediating role of budget goal clarity in relationship between budget participation and managerial performance. Moreover, the present study contributes to the literature by examining budget participation in the Middle East and North Africa region in Iraq, where there is a dearth of examination of this topic [30], especially with regard to the use of goal-setting theory.

Furthermore, the findings of this study yield profound policy and practical implications that hold significant relevance for managers, particularly those operating in developing countries. Firstly, it unequivocally underscores the pivotal role of budget participation in shaping managerial performance. HEIs must actively foster a culture of budgetary involvement among their low- to middle-level managers, especially within Iraqi public universities. Encouraging and facilitating budget participation will effectively contribute to enhancing performance outcomes in these institutions. Secondly, the study firmly establishes the criticality of budget goal clarity and emphasizes the need for its prioritization during the budgeting process to optimize managerial performance. In light of this, organizational leaders must wholeheartedly recognize the paramount importance of clearly defined goals as they form the foundation for attaining high-performance levels. To achieve this, leaders should ensure that employees are provided with unambiguous and specific goals and a comprehensive understanding of their significance in driving the organization's overall success. By adopting this approach, managers in HEIs can be empowered to actively participate in budgeting decisions actively, thereby significantly improving their performance.

In essence, the implications of this research call for strategic action, urging HEIs and organizational leaders to recognize the pivotal nature of budget participation and goal clarity as powerful levers for enhancing managerial performance. By implementing inclusive and transparent budgeting practices and cultivating an environment that values goal clarity, managers in HEIs can unlock their full potential and contribute to their organisations' sustained success and advancement.

CONCLUSION

This study makes a significant contribution to the existing body of literature by examining the intricate relationship between budget participation and managerial performance, with a focus on the mediating role of budget goal clarity. The results indicate a robust and statistically significant positive impact between budget participation and budget goal clarity. Furthermore, compelling evidence supports the notion of a significant positive effect of budget goal clarity on managerial performance. The findings indicate that when managers clearly understand the budget goals, their performance is positively influenced, resulting in heightened efficiency and managerial performance. Moreover, the research findings reveal that budget goal clarity partially mediates the relationship between budget participation and managerial performance. This noteworthy insight suggests that budget participation indirectly influences managerial performance through its impact on fostering goal clarity. As a result, leveraging budget participation as a mechanism to enhance goal clarity becomes imperative for driving performance improvements in diverse organizational settings.

The positive relationship established between budget participation and performance serves as a valuable framework for enhancing employee engagement and productivity in various contexts. As such, the implications of this study extend beyond the realm of Higher Education Institutions (HEIs) in Iraq, encompassing a wider range of industries and organizations. Managers, policymakers, and institutions across diverse sectors can benefit from incorporating the findings of this study into their practices and strategies aimed at enhancing employee performance and achieving positive organizational outcomes.

Although this study has contributed to the existing literature; however, should be read within its limitations. The primary focus of this study on HEIs necessitates caution when generalizing the findings to industries or organizations beyond this specific context. It is crucial to acknowledge that the reliance on self-reported measures, including managerial performance, introduces potential biases and may deviate from actual behavior or outcomes. Furthermore, while the study investigates the mediating role of budget goal clarity, it is essential to recognize that other factors could contribute to this intricate relationship. Future research should diligently explore additional factors, such as organizational culture, employee motivation, and decision-making autonomy, which may significantly influence this association. Moreover, conducting studies that encompass diverse organizations and industries would provide valuable insights into the generalizability of the impact of budget participation on managerial performance, shedding light on whether industry-specific factors play a substantial role in influencing this relationship. Such comprehensive investigations would further strengthen our understanding of the intricate dynamics in this relationship and inform more accurate and robust conclusions.

In conclusion, this study provides compelling evidence regarding the relationship between budget participation, budget goal clarity, and managerial performance. The findings underscore the significance of active engagement in budget-related activities, the importance of fostering goal clarity, and the resulting positive impact on managerial performance. Incorporating these findings into managerial practices and decision-making processes can yield tangible benefits in terms of employee engagement, productivity, and overall organizational success.

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