

The Role Of Procedural Fairness In The Relationship Between Budget Participation And Motivation

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Abstract: Previous studies have provided inconsistent empirical findings in the relationship between budget participation and motivation. It is argued that these conflicting findings may be due to mediating variables. Fairness consideration may be an essential mediating variable that may increase the motivation of employees. Thus, the purpose of this study is to examine the mediating role of procedural fairness in the relationship between budget participation and motivation. The fairness perceptions of employees are important because they can demotivate the employees if any unfair conditions exist in budget creation. The fairness perceptions also ensure that all members of the organization are motivated to achieve the organization's goals. The framework of this study is developed based on the goal setting theory. Through the involvement of managers in preparing budget, a clearer and attainable budget can be set, which fosters the motivation level of individuals. Goal setting theory also recognized the importance of reasonable and fair goals as it enhances favorable attitude and behavior of employees in the organization. However the effect of fairness perceptions in the relationship between budget participation and motivation has not been systematically evaluated. As such, using the goal setting theory, this study attempts to examine whether budget participation increases the perceptions of fairness, which in turn increases motivation. It is argued that by participating in the budget setting process, a fair budget can be determined from a fair process employed, thus increasing the likelihood of improving individuals' motivation. Utilizing the Partial Least Square technique in analyzing data, based on survey questionnaires of Malaysian managers, the results are as expected. Procedural fairness plays a role as mediating variable in the relationship between budget participation and motivation. This result suggests the importance of maintaining fairness in the management control system in the organization. The involvement of managers in budget setting process promotes a favorable behavior of the managers that increase their perception of fairness which may consequently increase their motivation.

Key words: Budget participation; Procedural fairness; Motivation; Goal setting theory; Partial Least Square.

INTRODUCTION

The assignment of specific and reasonable goals may increase individual motivation and enhance their performance level (Bryan and Locke, 1967, Locke and Bryan, 1968, Locke and Latham, 1984). In view of budgets that represent goals to be achieved, suitable strategies must be performed for budget achievement purposes. For example, by allowing the involvement of employees in the setting up of a budget, it may increase employees' satisfaction (Kenis, 1979), develops organizational commitment (Nouri and Parker, 1998; Parker and Kyj, 2006; Wentzel, 2002), promotes sharing of information (Chong and Chong, 2002; Agbejule and Saarikoski, 2006) and enhances fairness perceptions (Maiga and Jacobs, 2007; Wentzel, 2002). However in examining the effect of budget participation in increasing motivation, Brownell and McInnes (1986) was unable to find significant relationship between budget participation and motivation. Similar result was also found in Mia (1989) who did not provide evidence for the interaction of budget participation and job difficulty in affecting motivation.

The inconsistencies in the findings may be due to the complex relationship between participation and motivation. Shields and Shields (1998) also suggested that the relationship between participation and motivation may not be a direct one, it may be indirectly related through mediating variables. In the participative budgeting context, fairness consideration may be an important factor for increasing the motivation of subordinate. Based on a goal setting theory, Locke *et al.*, (1986) and Locke and Latham (1984) also recognized the importance of reasonable and fair goals, because it leads to goal acceptance. This recognition of the fairness of goals shows the importance of fairness perceptions of the goals or budgets that have been set. However the effect of fairness perceptions in the relationship between budget participation and motivation has not been systematically evaluated. As such, this study aims to fill up this gap. Specifically this study attempts to demonstrate that the relationship between budget participation and motivation is indirect through procedural fairness. It is expected

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that participation will increase procedural fairness and in turn will encourage employees to be more motivated in doing their work.

This paper is organized as follows. In the subsequent section, a review of the literatures together with the formulation of hypotheses is presented. Then the research method used and the research findings are discussed. Finally, in the conclusion section, the discussion on the results and suggestions for future research are offered.

Literature Review and Hypotheses Formulation:

Budget Participation, Motivation And Procedural Fairness:

According to Milani (1975), participation is “a concept used to describe the extent to which a subordinate is allowed to select his own courses of action” (p. 274). Budget participation is viewed as a concept in which managers participate in budget creation and influence the budgetary process over the outcomes of a decision making process (Magner, *et al.*, 1995). Not only does it give more value, it also serves as a motivation device for subordinates to meet the goals prescribed by the management.

Through participation in setting up the budget, lower level management or subordinates are expected to provide more accurate and reliable views regarding their day-to-day operations. It is more likely to be a situation where everybody in the organization plays their role in the community. To encourage better achievement by subordinates, the individual conditions should be considered and only the individuals are fully aware of their own circumstances; thus involving them in the decision making process allows them to provide input (Lau and Tan, 2006). Since subordinates are familiar with their working conditions and possess significant private information (Nouri and Parker, 1998), allowing them to participate can ensure the inclusion of this information and the budget prepared is more likely to be attainable and realistic, rather than if it was imposed from above.

Apart from the functions of a budget as a device to plan, control and coordinate of various functional activities of the organization, it is also related to the motivational aspects of employees in improving performance (Kenis, 1979). A budget that provides goal clarity gives more motivation to the managers than the goals that are set as “do your best” (Kenis, 1979; Latham and Locke, 1984). Managers are also motivated with a budget that is tight but attainable rather than too tight level (Kenis, 1979). If the budget is too difficult to achieve, it will demotivate the employees as they perceive the task as unreachable (Latham and Locke, 1979).

Becker and Green (1962) proposed that through participation, motivation may increase which ultimately increases employees’ performance. Subsequent studies also found a positive relationship between participation and motivation, for instance Hofstede (1968), Kenis (1979), Merchant (1981) and Searfoss and Monczka (1973). It is suggested that since lower level managers are better informed of their day-to-day activities, they directly know the needs in their functional units. Thus, through participation, a more realistic plan could be developed and provide positive motivational effects (Merchant, 1981). While many studies show the positive effect of participation and motivation, this favourable effect is not found in Brownell and McInnes (1986). Even though Brownell and McInnes (1986) found budget participation is positively related with motivation, the relationship is not significant.

These conflicting findings have also led researchers to suggest that it is possible that budget participation has an indirect effect on motivation (Searfoss and Monczka, 1973; Murray, 1990; Brownell and McInnes, 1986). Shields and Shields (1998) further supported this notion by suggesting that budget participation has an indirect effect on motivation and is “conditional on moderating, other independent and intervening variables” (p. 65). As fairness perceptions are important in enhancing favorable attitudes and behaviors of employees (Alexander and Ruderman, 1987; Folger and Konovsky, 1989; Lau *et al.*, 2008; Tang and Sarsfield-Baldwin, 1996), it is suggested that budget participation increases motivation through the role of fairness perception as mediating variable. While the relationship between organizational fairness and motivation has not been directly addressed in prior research, this study proposes that through participation, the perception of fairness can be improved and subsequently increase individuals’ motivation. In particular, this study aims to fill in the gap by examining the role of fairness perception as mediating variable in the relationship between budget participation and motivation. Procedural justice is concerned with the fairness of decision-making procedures. It refers to the perceived fairness of the means by which outcomes are allocated (Cropanzano *et al.*, 2007; Folger and Konovsky, 1989; Wentzel, 2002). According to Tang and Sarsfield-Baldwin (1996), procedural justice deals with the “means use to achieve those ends (how decisions are made) or the process of fairness”. Most researchers in procedural justice literature (Byrne and Damon, 2008; Lau and Tan, 2006; Lindquist, 1995) have credited the work of Thibaut and Walker (1975), who have introduced the study of process to the literature on justice. Procedural justice influences the perception of the organization in which employees work, as a whole. Perception of injustice impaired employees’ loyalty and they feel less likely to behave in organizations’ best interests (Cropanzano *et al.*, 2007).

Procedural fairness is often viewed as having ‘voice’ in the budgetary process (Byrne and Damon, 2008). Most of the researchers acknowledge the need to have voice in budget creation (Byrne and Damon, 2008; Libby, 1999; Lindquist, 1995; Magner *et al.*, 1995). Voice is the involvement of subordinates in contributing their opinions during the budget decision making process. According to Lindquist (1995), the instrumental theory of

procedural justice (Conlon, 1993) suggests that if the individuals have the opportunity to express their opinion, they will perceive that they can control their outcomes. Voice is seen as fair because it allows the employees a chance to influence the outcomes or decision processes that affect them. With a voice in the budgeting process, subordinates will be given an opportunity to express their views and this will enhance the satisfaction of subordinates in performing their tasks even though the budget is unattainable or unfair (Lindquist, 1995).

Goal Setting Theory:

The theoretical model is presented in Figure 1. The framework is developed based on a goal setting theory, which relies on a principle that the goals set serve as the objectives that individuals need to achieve (Locke and Latham, 1990). Individuals become motivated to place more effort and discover related activities to be performed for goal achievement purposes. The benefits of goal setting have been proven in extensive laboratory and organizational settings studies. For examples, the studies by Chong and Chong (2002), Hofstede (1968) and Kenis (1979) provides the favorable effects of goal setting that ultimately increase individuals' attitude and behavior. Since budgets have a similar meaning to the concepts of goals (Locke and Latham, 1984), it represents a goal to be achieved or to work within the established boundaries (Searfoss and Monczka, 1973). With budgets, the actions and steps taken by all the holders are directed towards achieving the budget and consequently realizing organizational goals.

Goal setting theory also acknowledges the importance of fair and reasonable goals that increase the performance of employees (Latham and Locke, 1979; Locke and Latham, 1984). The fairness perceptions of employees are important as they can demotivate the employees if any unfairness conditions exist in budget creation (Libby, 2001). However, in a participative budgeting setting, only no study has systematically evaluated the influence of fairness perceptions in increasing motivation of employees. Thus, using the goal setting theory, this study attempts to examine whether budget participation increases the perceptions of fairness, which in turn increases motivation. It is argued that by participating in the budget setting process, a fair budget can be determined from a fair process employed, thus increasing the likelihood of improving individuals' motivation.

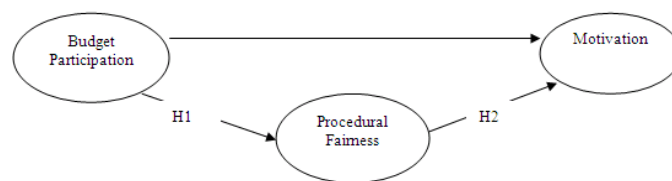


Fig. 1: Theoretical Framework.

Development of Hypotheses:

Budget Participation and Procedural Fairness:

Budget participation refers to the involvement of managers in budget creation and their influence over the outcomes of a decision making process (Kenis, 1979; Shields and Shields, 1998). The demand for participative budgeting is fully supported by the needs to have adequate budgetary support (Nouri and Parker, 1998), promotes better organizational commitment (Nouri and Parker, 1998; Parker and Kyj, 2006; Wentzel, 2002) and encouraging the sharing of information and knowledge (Agbejule and Saarikoski, 2002; Lau and Tan, 2006; Parker and Kyj, 2006). Moreover, not only enhancing managerial performance (Brownell, 1982; Brownell and McInnes, 1986; Merchant, 1981) organization returns also will be improved by negotiation or through participative budgeting (Chalos and Haka, 1989).

Procedural justice is concerned on the fairness of decision-making procedures or processes applied to determine the final budget. Based on procedural justice theory, participation enables subordinates to have both voice and vote, which makes them feel that the procedures are fair (Lindquist, 1995). When they have both voice and vote, they perceive that they have a high degree of process control in their budget (Lindquist, 1995). Thus, it is suggested that when the degree of process control is increased, the perceptions of procedural fairness will also be increased.

Through participation, the reasonable goals will be set through the agreement of all the employees. If the employees believe they should receive what is supposed to be received, the perception of fairness might arise. Otherwise, employees may react negatively (Magner *et al.*, 1995). In addition, the understanding of the way budget is being distributed is enhanced by participating in the process. When they participate, the control over the processes is gained (Wentzel, 2002), which will then enhance their perception of procedural fairness. Extant literatures have provided empirical evidence for the positive impact of participation on procedural fairness (Maiga and Jacobs, 2007; Wentzel, 2002). Thus, the following hypothesis is further suggested:

H1: There is a positive relationship between budget participation and procedural fairness.

Procedural Fairness and Motivation:

Motivation is related to engagement in a particular behavior for the purpose to achieve a desired goal. Searfoss and Monczka (1973, p. 544) defines motivation as “a psychological construct which is used to account for the factors that arouse, maintain and direct behavior toward a goal”. Within the goal setting theory, motivation is based on effort expended employees have towards achieving organizational goal (Locke and Latham, 1990). In the workforce situation, employees who are motivated, show more favorable attitudes and increase their performance (Bryan and Locke, 1967). Positive feelings of the fairness in organizational affairs affect the employees’ attitudes and behavior. Employees portray favorable evaluations to the managers if they perceive budgeting processes are fair (Magner *et al.*, 1995). In addition employees with better perception of the firm they work will behave in the organizations’ best interest (Cropanzano *et al.*, 2007), show less absenteeism (McFarlin and Sweeney, 1992) and increase their work efficiency (Libby, 2001). Previous studies also demonstrated meaningful organizational outcomes with favorable perception of fairness. It encourages the subordinates–superior relationship in terms of increasing trust (Alexander and Ruderman, 1987; Folger and Konovsky, 1989; Lau and Tan, 2006; Maiga and Jacobs, 2007) and a better relationship between individual and the organization itself, for instance enhancing organizational commitment (Folger and Konovsky, 1989; Maiga and Jacobs, 2007; Wentzel, 2002).

All these favorable effect of fairness impression suggests that fairness perception may serve as motivational factor for employees in performing their task requirement. While procedural fairness may become determinant to motivate employees, to date there is no study that systematically evaluate the relationship. Further, previous studies have predicted that fairness lead to increase employee motivation (Libby, 1999; 2001), and yet no study has been conducted. Thus in this study, based on the argument above, propose that procedural fairness play a role in enhancing employee motivation. The following hypothesis is formulated:

H2: There is a positive relationship between procedural fairness and motivation.

Budget Participation and Motivation:

Participation in budgeting decision enables the communication and agreement of organizational financial goal. With the specified objectives, employees’ action will be constructive towards achieving organization goal. Through participation, subordinates may have the opportunity to provide essential information regarding their task requirement. Subordinates normally are well-versed about their working environment than their superior. As such, by involving subordinates in the decision making process, superiors will be able to design a better budget-goal, which in turn will motivate employee to achieve the budget (Shields and Shields, 1998). A number of studies have found the positive relationship between participation and motivation (for example, Hofstede, 1968; Kenis, 1979; Merchant, 1981; Searfoss and Monczka, 1973). However, Brownell and McInnes (1986) found otherwise, suggesting that the relationship between budget participation and motivation may not be a direct one. It may be indirect through procedural fairness.

It is argued that when the employees participate in the decision making process, the possibility to influence the final budget set is increased, thus enhancing the likelihood of a favorable budget. This in turn can increase employee’s motivation in performing their task. Similarly, participation in budget creation may increase the perception of fairness, and consequently improve employees’ motivation.

Previous studies have provided evidence that budget participation has a significant effect on procedural fairness (Maiga and Jacobs, 2007; Wentzel, 2002). Even though there are no studies that have examined the effect of fairness perception on motivation, it is proposed that these fairness perceptions may increase employees’ motivation. In fact, Libby (1999; 2001) assumed that fairness motivate employees, although no systematic evaluation has been conducted. Thus, this study aims to fulfill the gap by investigating the effect of fairness perception in the participation – motivation relationship. The following hypothesis is formulated:

H3: The relationship between budget participation and motivation is indirect through procedural fairness.

MATERIALS AND METHOD

Data was collected using a questionnaire survey sent to large organizations with more than 100 employees. The respondents for this study are the managers from manufacturing and service sectors who have budget responsibilities. The organizations were selected from Bursa Malaysia, across a variety of functional areas. The purpose is to ensure the generalizability of the result in different functions as in other studies (Brownell, 1982; Hopwood, 1972; Lau and Lim, 2002). The use of individual managers in participative budgeting study is consistent with prior literature including Agbejule and Saarikoski (2006), Brownell (1982), Chong and Chong (2002), Nouri and Parker (1998) and Parker and Kyj (2006).

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 minimize the response bias.

1000 questionnaires were distributed and only 110 returned, making up a response rate of 11%. 2 questionnaires were rejected since the company did not prepare the budget, thus 108 completed questionnaires (10.8%) were used for data analysis.

Measurement of Variable:

In this study, the questionnaires are designed based on the established measurements, developed by previous studies. All the variables were measured based on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

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. 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 Brownell and McInnes (1986), Chong and Chong (2002), Lau and Lim (2002), Lau and Tan (2006) and Nouri and Parker (1998).

Procedural Fairness:

Procedural fairness refers to the fairness of the procedures employed to determine the budget outcome. It is measured using eight-item scale used in Maiga and Jacobs (2007) and Wentzel (2002). Six-items are adapted from Magner and Johnson (1995) that assess the procedural fairness judgment of respondents according to Leventhal's (1980) six rules (consistency across persons, consistency across time, accuracy, correctability, ethicality, bias suppression). The other two-items are developed by Wentzel (2002) that deal with representative rule of Leventhal (1980) and informational aspect of procedural fairness.

Motivation:

Motivation is related to engagement in a particular behavior for a purpose to achieve a desired goal. Consistent with Kenis (1979) and Merchant (1981), intrinsic motivation was used in this study, as it is related to internal factors of individual self satisfaction for the personal goals, growth, achievement and a feel of accomplishment. The three-item intrinsic motivation used in Dermer (1975) is used in this study.

RESULTS AND DISCUSSIONS

Demographic data shows somewhat equal responses from male and female respondents. The average age of respondents was 36 years and more than 90% of the respondents are educated at the tertiary level. More than 50% of the respondents have work experienced for at least 5 years and the respondents are attached in several functional areas including Finance, Human Resource, Production and Marketing areas.

Almost similar responses come from manufacturing and services sectors. Manufacturing sector include chemical, gas and petroleum industries, electrical and electronics, transport and automotive and food and beverage industries. Service sector include telecommunication industries, construction, plantation and fast moving consumer goods. More than 50% of the firms have more than 200 employees with total assets worth more than RM50 million.

Table 1 presents the descriptive statistics of the research variables used in this study. It shows the respondents' perceptions on the main variables were moderately high, with the highest mean was recorded for motivation variable.

Table 1: Descriptive Statistics for Variables (N=108)

Variable	Mean	Std. Deviation	Actual Range		Theoretical Range	
			Min	Max	Min	Max
Budget Participation	3.5880	.82140	1.00	5.00	1	5
Procedural Fairness	3.5509	.74041	1.50	5.00	1	5
Motivation	4.2346	.89333	1.00	5.00	1	5

In order to test the hypotheses developed, Partial Least Squares (PLS) technique which is a component-based of structural equation modeling is used. PLS was chosen because it enables the computation of all the paths including the measurement and structural model simultaneously (Hsu *et al.*, 2006).

The measurement model appears in Table 2 and 3. The measurement model of the data is assessed by examining its internal consistency reliability, convergent validity and discriminant validity (Henseler *et al.*,

2009). Table 2 shows the loadings of individual items to the respective construct. It can clearly be seen that almost all items were loaded more than 0.7. According to Hulland (1999), if the loading is less than 0.5, that indicator should be omitted from the analysis.

The value of Cronbach's α (Table 3) also shows that all constructs were satisfactory reliable with Cronbach's α more than 0.8. Similarly, by examining the composite reliability value, all construct were more than 0.8 which signifies that all the constructs have internal consistency reliability (Fornell and Larcker, 1981). An examination of average variance extracted (AVE) in Table 3, further revealed that all constructs satisfy convergent validity requirement with values above 0.5 (Fornell and Larcker, 1981).

Regarding the discriminant validity, the loadings of each indicator to their corresponding construct were higher than the cross-loading to other construct as portrayed in Table 2 (Chin, 1998). Additionally, Table 3 also demonstrates that the square root of AVE were more than the correlations among different construct which indicates that more variance is shared between each latent variables and its manifest variables than it shares with other latent variables in the same model (Chin, 1998; Fornell and Larcker, 1981). By referring to Table 2 and 3, it also indicates that all the constructs have met the requirement of internal reliability and validity.

Table 2: Factor Loadings of Each Constructs

	BP	MOTIV	PF
BP1	0.745	0.108	0.382
BP2	0.823	0.338	0.642
BP3	0.780	0.243	0.462
BP4	0.760	0.218	0.470
BP5	0.801	0.309	0.537
BP6	0.649	0.313	0.455
MOTIV1	0.275	0.858	0.405
MOTIV2	0.333	0.961	0.483
MOTIV3	0.356	0.939	0.484
PF1	0.527	0.318	0.742
PF2	0.414	0.290	0.639
PF3	0.513	0.359	0.798
PF4	0.613	0.362	0.771
PF5	0.501	0.433	0.780
PF6	0.345	0.340	0.631
PF7	0.394	0.464	0.749
PF8	0.514	0.342	0.712

BP: Budget participation; MOTIV: Motivation; PF: Procedural fairness

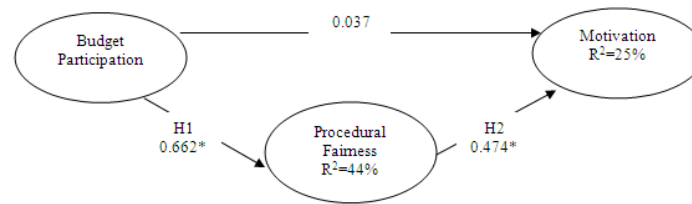
Table 3: Reliability, Average Variance Extracted (AVE) and Correlations

	AVE	Composite Reliability	Cronbach's Alpha	Correlations		
				BP	MOTIV	PF
BP	0.580	0.892	0.855	0.760		
MOTIV	0.848	0.943	0.909	0.351	0.920	
PF	0.533	0.901	0.874	0.662	0.499	0.730

BP: Budget participation; MOTIV: Motivation; PF: Procedural fairness

Diagonal elements in bold is the square root of AVE

The structural model is evaluated by examining the R^2 of dependent variables, the path coefficients (β estimates) and its significance value (p-values), as appears in Figure 2. R^2 of motivation variable shows a value of 25%. It means that only 25% of the variances in motivation were explained by budget participation and procedural fairness. The rest of 75% was explained by other variables which are not tested in this study. Figure 2 also demonstrates that procedural fairness has the R^2 of 44%, which indicates that budget participation explains 44% of the variances in organizational fairness, while the remaining of 56% is unexplained.

**Fig. 2:** Path Coefficients of Theoretical Model.

*significant at 0.01

H1 hypothesizes the direct relationship between budget participation and procedural fairness. Figure 2 shows significant evidence to support the relationship ($\beta = 0.662$, $p < 0.01$). Similarly, for H2 that examines the relationship between procedural fairness and motivation, the results suggest significant positive relationship ($\beta = 0.474$, $p < 0.01$), which provide support for H2. Figure 2 also shows that budget participation does not have any direct effect on motivation ($\beta = 0.037$, $p > 0.1$), which suggest that the relationship between budget participation and motivation is indirect through procedural fairness.

PLS output provides the results of the direct and total effect of the path coefficients. The decomposition of the direct and indirect effect from the total effect can be analyzed to further confirm the mediating role of procedural fairness in the relationship between budget participation and motivation, as appears in Table 4. It can be seen from Table 4 that the total indirect effect in budget participation-motivation is 0.314 out of the total effect of 0.351. The direct effect is only 0.037. Thus, there is highly likely the possible existence of indirect relationship between participation and motivation. To determine whether procedural fairness play a role as mediating variable, following Lau *et al.*, (2008) and Lau and Tan (2006) study, the analysis of path coefficient is conducted as depicted in Table 5.

From the table, the indirect effect of procedural fairness is 0.314. According to Barthol (1983) and Pedhazur (1982), if the absolute amount of the indirect effect is more than 0.05, the effect may be significant. Since procedural fairness has the effect more than 0.05, it can be concluded that the perception of fairness may play a role as mediating variable in the relationship between budget participation and motivation, hence provide support for H3.

Table 4: Analysis of Direct, Indirect and Total Effect.

Independent Variable	Dependent Variable	Direct Effects	Indirect Effects	Total Effects
BP	MOTIV	0.037	0.314	0.351
BP	PF	0.662	-	0.662
PF	MOTIV	0.474	-	0.474

BP: Budget participation; MOTIV: Motivation; PF: Procedural fairness

Table 5: Analysis of Indirect Effect between Budget Participation and Motivation.

Variable Path	Path Coefficient	Indirect Effects
BP-PF-MOTIV	0.662×0.474	0.314

BP: Budget participation; MOTIV: Motivation; PF: Procedural fairness

Discussion and Conclusion:

This study attempts to investigate the indirect effect of procedural fairness in the relationship between budget participation and motivation. In particular this study examines the relationship between budget participation and procedural fairness and the relationship between procedural fairness and motivation.

Extant literatures provided evidence that the relationship between budget participation and motivation is mixed. The findings range from positive relationship (Kenis, 1979; Merchant, 1981; Searfoss and Monczka, 1973) to negative relationship (Brownell and McInnes, 1986), suggesting the possibility of indirect effect that participation has on motivation. As predicted, the results in this research suggested that budget participation was indirectly related to motivation through procedural fairness. Procedural fairness is found to be an important mediating variable.

The importance of fairness perception in enhancing favorable attitude and behavior of employees is consistent in previous studies. In management literature, a number of scholars have provided evidence that organizational fairness may promote positive effects of organizational affairs (Cropanzano *et al.*, 2007; Colquitt *et al.*, 2001), including building trust between employee and employer (Alexander and Ruderman, 1987; Maiga and Jacobs, 2007), increasing organizational commitment (Maiga and Jacobs, 2007; Wentzel, 2002), developing satisfaction (Lindquist, 1995; Tang and Sarsfield-Baldwin, 1996) and improving performance (Libby, 1999; 2001). Cropanzano *et al.* (2007) added that organizational fairness attached everyone in the organization in which it encourages all members to work effectively as a team. They claimed that with justice, employee can predict and control the preferable outcomes received from organizations.

This result also suggests the importance of maintaining fairness in the management control system in the organization. As budget serves as one of the accounting control systems in organization, participating in the budgeting affairs may make employees feel that they are appreciated (Lau and Tan, 2006) and can boost their self esteem. Lindquist (1995) suggested that in order to introduce fairness in the budgetary process, high participation is needed. The more individuals participate in the budgetary process, the level of fairness is perceived to be higher. Most of the researchers in psychology domain argued that in absence of justice in workplace, it may increase retaliation (Skarlicki and Folger, 1997), and other negative employee behaviors (Cropanzano *et al*, 2007).

This study is subject to several limitations. Firstly, as with other survey based research, is related to the control on the actual person who responds to the questionnaire. Secondly, cross-sectional survey usually does not provide evidence of the causal relationships between variables. Thirdly, this research is examining the mediating role of procedural fairness, one of the many dimensions of organizational fairness. Fourthly, the relationship between budget participation and motivation may be far more complex than the one that have been investigated in this study.

Future research may consider the other dimensions of organizational fairness as mediating variable such as distributive fairness, interactional fairness and informational fairness in the relationship between budget participation and motivation, which may provide further evidence of the prominent effect of the perception of organizational fairness. The other variables such as budget adequacy, goal commitment and role ambiguity may also be considered.

Despite its limitations, this study has provided empirical evidence to the importance of procedural fairness in a workplace. Budget participation improves the perception of organizational fairness and in turn increases employees' motivation. Maintaining fairness not only can lead to positive effects of employee reaction that can promote higher motivation, but also can enhance other positive attitude and behavior of employees.

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