The Role of Organizational Culture, Budgets and Trust in Restructuring Sales Outlets in Asia

by

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Introduction

There is growing evidence of the importance of intra-firm trust for influencing information sharing, to effectively manage branch level management accounting and reporting practices (e.g., Wicks, Berman, & Jones, 1999; Tomkins 2001). Since sales related management decisions have to be made increasingly on a real time basis with incomplete information, trust can play a crucial role in complementing the existing bases for making decisions under uncertainty. Empirical research in marketing and leadership has found that the link between trust and performance is not direct. Instead, it seems to be moderated by the level of trust congruence between the managers and their employees, and the context of the study, which is greatly affected by the nature of management controls used to monitor and evaluate subordinates (e.g., Atuanhene-Gima & Li, 2002; Brower, Schoorman, & Tan, 2000).

Studying the role of trust in the success of privatizing large corporations in developing countries is important because companies may be able to more cost effectively manage autonomous units by implement mechanisms to build trust than invest in complex structures and systems. Additionally, the evidence from the marketing literature suggests that relationship between sales controls and subordinates trust by their supervisor may be moderated by the national culture, which in turn influences the success of process controls versus output controls used to evaluate employees.

When government institutions privatize their operations a primary internal governance mechanism used is restructuring to provide greater autonomy for subordinates (Nellis & Kikeri, 1989; Euske & Riccaboni, 1999). Generally, privatization results in greater autonomy for bureaucratic managers to enable them become more responsive to customer needs. Williamson’s (1985; 2000) transaction cost economics suggests that when hierarchical structures are substituted by more decentralized governance structures, the increased transaction uncertainties and information asymmetries would increase managers’ opportunistic behaviors. This theory has been criticized for assuming that such behavioral risks can be calculated before hand and contractual arrangements can be made ‘ex ante’ to attenuate opportunistic behavior. Our study’s objective is to investigate the leadership role of supervisors in inhibiting subordinates dysfunctional behaviors. During privatization one could argue that subordinates ‘ex ante’ mistrust on certain promises made by a supervisor could be legitimate. Lindenberg (2000) indicated, the mistrusted party (in this case the subordinate) can claim the need for instruments such as formal management control systems to foster mutual cooperation between the supervisor and the subordinate. To this extent, the budgetary control systems
are expanded during privatization with the aid of contemporary management accounting tools such as activity-based costing to accomplish the objectives of restructuring. In such situations, it is important to study how interpersonal trust between the supervisor and the subordinate strengthens restructurings by empowering individuals and encourages the use of accounting information. This study is about evaluating the trust between supervisor and subordinate, the level of autonomy provided to subordinates and the sales growth of outlets they manage.

Richardson et al., (2002) studied the boundary conditions under which a relationship exists between the level of decentralization and the performance of subunits. They found that a number of environmental, organizational, interpersonal and individual factors directly or indirectly affect this relationship. The factors that they found were similar to those identified by researchers examining the relationship between budget related behavior and performance (for a review see Brownell, 1982; Briers & Hirst, 1990). This similarity is not surprising given that budgetary studies have found that under higher levels of decentralization and when the subordinates have local knowledge is there a positive relation between budgetary participation and performance (for review see Wagner et al. 1997). Ross (1994) called for more research to enhance the knowledge of the role trust plays in the use of accounting information. Recently research has begun to address trust related issues and their interaction with leadership styles, culture and control systems. Coletti et al., (2005) emphasized the complementary role of interpersonal trust in reinforcing the purpose of bonus rewards and budgetary control systems. Colletti et al. study was an experimental study that may not have captured the importance of budget-based leadership styles and the influence of organizational culture in affecting performance. The objective of our field study is to investigate relationship between organizational cultures, styles of supervisors budget emphasis, subordinate autonomy and interpersonal trust in two organizations that are at different stages in restructuring their organizations to improve the performance of their sales outlets. An important contribution of the study is to develop a framework by integrating literatures in accounting, management and leadership to identify how various factors across these fields could affect an outlet’s performance.

Atuanene-Gima & Li (2002) found that nature of the management control used to evaluate salespeople, their achievement orientation and the national culture significantly affected the subordinates’ felt trust that in turn affected the outlet’s sales performance. They found that the salespeople preferred a process oriented management control system in China, but an output oriented management control system in the U.S. The authors attributed this result to the national cultural influences that affect individual and organizational behaviors, which are such that the Chinese culture being collectivist and risk averse has managers who do not like being evaluated based on outputs such as sales
targets. Regardless, they found that in both societies higher subordinates’ achievement orientation was positively related to subordinates’ felt trust by supervisor and to the outlet’s performance. Similar conclusions about the national culture influencing management behavior were also reached by Doney, Cannon, & Mullen (1998) and Hofstede (1997). Therefore, the marketing and management literatures suggest that culture plays an important role in subordinates’ preference for how they would like to have their divisions’ performance evaluated.

A review of budget studies shows that the situational characteristics in an organization influence the preferred leadership style and the impact of subordinates’ participation on performance (for a review see Brownell, 1982; Briers & Hirst 1990). A study of international managers in Europe found that subordinates facing unfavorable performance had a less negative attitude towards their supervisors provided they had participated in the budgeting processes that set the outcomes they were evaluated against (Magner et al., 1995). While these studies suggest that organizational cultural dimension can influence appropriateness of budget emphasis by the supervisor, we are not aware of studies addressing these relationships in Asia, particularly during organizational change. In Asia, subordinates are more likely to embrace an organizational culture related to both high power distance and uncertainty avoidance (http://www.geert-hofstede.com/), which can affect the extent to which subordinates value autonomy. Consequently, we review the accounting, management and leadership literatures for factors that serve as antecedents to the level of subordinates’ perceptions of autonomy and superior-subordinate trust levels. The literature suggests that organizational culture and superiors’ trust of their subordinates influences subordinates perceptions, which in-turn affects the performance of the subunits they manage.

In this study, we develop a framework with five hypotheses prescribing the relationships between budgetary leadership styles, organizational culture, supervisor-subordinate trust, and subordinates’ autonomy. These four variables were measured using existing survey instruments, and the data were collected from two large privatized companies. One firm is a telecommunication company and the other is an electric utility company. The sample consists of 148 subjects that are made up of 74 pairs of superior-subordinate dyads from each company. Path analysis and structural equation modeling are used to test the hypotheses and the framework. We find support for hypotheses that supervisory style influences superior’s trust and the organizational culture influences subordinates’ task autonomy. Further, we also find support for the hypothesis that the importance of the outlet (measured by the amount of activity) moderates the effect of subordinate’s autonomy on the branch’s sales growth. Overall, the results lend
credibility to the supervisors’ leadership role in managing the level of autonomy of subunits, particularly, by influencing the culture and the trust perceptions of subordinates.

**Literature Review and Hypotheses Development**

The role of budget data in evaluating managerial performance is emphasized in the accounting literature (for review see Briers & Hirst, 1990). Hopwood (1972) characterized supervisory style in terms of extent and manner of budget use in performance evaluation. He found that a budget constrained style (BC), compared to a profit constrained (PC) style led to greater stress and more hostility toward supervisors. He also reported that BC style superiors were less likely to meet their budgets and more likely to falsify it. As Briers & Hirst (1990) noted this result may have been caused because under a BC style supervisors relied on “meeting the budget” and the use of the budget criterion in an unquestioning, evaluative manner. Under a PC style supervisors had “concern for costs” and the use budget criterion in a problem solving manner. Otley (1978) replicated Hopwood’s study, but found no significant performance and stress differences between managers evaluated on BC rather than a PC style. Imoisili (1989) hypothesized that context differences related to task interdependency and uncertainty could explain the contradictory results in these two studies. He confirmed Hopwood’s finding that BC style managers reported higher stress, but he did not find a main or interaction effect between task characteristics and budgetary style. Therefore, the literature suggests that supervisors’ style of budget emphasis affects subordinates perceptions. We extend this literature by suggesting that supervisor’s budget use style and subordinates’ perceptions could be influenced to motivate outlets to achieve the goals of restructuring. We review relevant organizational culture and trust theories from the management and the leadership areas and suggest how they could shed further light on the extended use of budgets.

Culture plays a significant role in the process by which supervisory styles emerge and subordinate perceptions are formed. Hofstede et al., (1990) found that the organizational culture is related to the dimensions of job vs. employee and process vs. results orientations, and are influenced by the philosophy of the leaders in an organization. Hofstede et al. believed that when units are evaluated against external standards such as achievement of certain level of sales to meet profit goals, subordinates view the organizational culture as a less employee oriented. Typically an employee oriented culture was associated with greater decentralization and a job oriented culture was associated with a more centrally structured companies. Additionally, this dimension of organizational culture also
had a strong correlation with national culture, such that a less decentralized decision-making was associated with greater formalization of authority in a company. While many studies have evaluated the implications of Hofstede et al. (1980) national culture dimensions for successfully implementing budgets (e.g., Gul et al., 1995; O’Connor, 1995), few studies have used Hofstede et al., (1990) organizational culture constructs in budgetary research.

The organizational culture dimension related to power distance has been found to moderate the usefulness of participation in budgeting and performance evaluation (Gul et al. 1995; O’Connor, 1995). Hofstede et al. (1990) found that the organizational management style (process versus result oriented) correlated closely with the power distance at the national level. In a high power distance culture, supervisors are concerned with the means of achieving organizational goals, and hence tend to be process oriented than results oriented. O’Connor (1995) found that the management style in Singapore, a high power distance culture, moderates the usefulness of budget participation in reducing role ambiguity and enhancing supervisor-subordinate relationship. It is our belief that in Asian countries with high power distance the country’s culture affects the budgetary process because subordinates’ view the process as pseudo-participative. According to Argyris (1952) a pseudo-participative process is defined as a budgeting process that leads subordinates to believe that they will have influence on the budget, but in reality, their inputs are ignored. It is important to avoid the perception about the budgeting process being pseudo-participative because it can have demotivating effects on subordinates (Libby, 1999). According to Libby the perception of pseudo-participation can be avoided by communicating the rationale and providing an explanation for the subordinates’ lack of influence over the final budget. The most common reasons for subordinates’ lack of influence, particularly in bureaucratic organizations are budgetary constraints, controls imposed at higher levels of management, restrictions due to organizational policies and inconsistent company norms (Bies & Shapiro, 1988). Abernethy and Vagnoni (2004) found that, in the health care industry, the effect of a manager’s formal authority (as prescribed in the organization chart) on cost consciousness is indirect via the use of accounting information systems by unit managers. Evidently the maturity of the process and budgetary systems can influence performance, which is probably evolving during privatization. Further, during privatization the essential internal governance mechanism used is to provide greater autonomy to subordinates so that they will depend less on the government for funds (e.g., Kloot, 1997). For these reasons, it may be appropriate to focus on managers broader activities than only on their budget participation.

We undertook to study the influence of organizational culture on subordinates’ perceived autonomy, and hypothesize that:
H1: The organizational culture will influence the subordinates’ perceptions about the degree of task autonomy they have.

The leadership literature most widely uses a three dimensional approach to trustworthiness put forward by Mayer, Davis & Schoorman (1995). The three dimensions identified by Mayer and his colleagues are ability, integrity and benevolence. It is commonly believed that leaders observe the performance of the subordinates and form perceptions about the ability, benevolence and integrity of their subordinates (for review see Brower et al., 2000). This literature has also examined the role of culture on trust development. In an individualistic culture, an individual’s task performance is recognized and rewarded, but in collectivist societies one’s identity is defined by his or her membership to the group (Hofstede 1999a; 1999b). Additionally, the desire to maintain group harmony results in the tendency for subordinates to suppress their individual preferences to those of the group (Triandis, 1995). As a consequence, Wasti et al., (2004) found that while subordinate’s ability is an important determinant of trust in individualistic society like the U.S., in collectivist society such as Turkey, the supervisor’s perceived benevolence toward their subordinate mattered more than an individual’s ability. Zaheer et al., (1998) found that inter-organizational trust is more important than interpersonal trust in directly influencing performance. However, they and authors such as Shapiro (1987) and Parkhe (1993) have observed that inter-organizational trust and performance relationships can operate in both directions via interpersonal trust. We believe that this is more likely to be true in a high power distance culture than in a lower one. Consequently, it is important to investigate how the structures and processes created during privatization affects interpersonal trust. Furthermore, Zaheer et al., (1998) suggested that “our understanding of the phenomenon of inter-organizational trust and its consequences would be greatly enhanced by the study of contextual and antecedents of interpersonal trust, such as the extent to which exchange partners share similar organizational structures, policies, and mindsets or cultures (p.157).” To test the effect of budgetary leadership style and organizational culture on supervisors’ trust formation, we propose two general hypotheses, and allow the organizational context to shed further light on this issue.

H2: The organizational culture influences the level of supervisors’ trust in their subordinates’.

H3: Supervisors’ budgetary leadership styles influences the level of trust in subordinates’.
Trust moderates the relationship between perceptions of organizational environment and performance (Dirks & Ferrin, 2002; Ruppel & Harrington, 2000). The popular trust model proposed by Mayer et al. (1995) can be applied to any dyadic relationship. The trust literature has shown that the supervisor’s trust in the subordinate is different from the subordinate’s trust in the supervisor (Graen & Uhl-Bien, 1995; Liden, Wayne, & Stillwell, 1993). Studies in leader-member exchange relationship suggest that trust should measure both the supervisor’s (or leader’s) trust in the subordinate (LTS) and the subordinate’s perception about how much the supervisor trusts him or her, referred to as subordinate felt trust -SFT (Brower, Schoorman, & Tan, 2000; Brower, Lester & Dineen, 2003). Brower et al. (2003) found that when subordinates and supervisors agreed in their perceptions, the subordinates’ performance was higher, and they tend to engage in more organizational citizenship behaviors. Davis et al., (2000) found that employees’ trust in the general managers was significantly related to increased sales in the restaurant industry. Dirks (2000) studied basketball teams and found that the team’s trust in the coach mediated relationship between the team’s past and future performances. Thus, there is evidence in the leadership literature that the level of trust between supervisor and subordinate can influence the division’s performance (for review see Dirks & Ferrin, 2002).

Accounting studies have also found that trust is a moderator that affects the relationship between performance evaluation systems and individual anxiety levels, which in-turn affects job related tension in a company (Ross, 1994; Brion, 1989). Ross found that high trust levels between supervisor and subordinate will help lower the individual anxiety levels that typically follow the introduction of individual performance evaluation systems. We are not aware of accounting studies incorporating leader-member exchange theory to explain the effect of leaders’ budgetary evaluation styles on performance, and doing so leads us to hypothesize that:

H4: Higher trust congruence between superiors and subordinates trust levels is associated with higher sales growth.

Insert figure 1

Figure 1 show the relations between organizational culture, subordinates’ autonomy, supervisors’ style of budget emphasis, the level of trust between supervisor-subordinates and how they may affect sales growth. Particularly, the figure shows that the supervisors trust is affected by their budgetary style; subordinates’ autonomy is affected by culture, which together with trust congruence of the supervisors’ subordinates’ trusts levels affects sales growth. Richardson et al., (2002) found that the link between decentralized decision making and the financial
performance of the division is moderated by boundary conditions such as the competitive environment faced by the division. Richardson et al’s study examined behavioral health treatment centers that were attached to hospitals or operated as independent units loosely linked to the hospitals, and found that on some occasions the hospital-center relationships that were more centralized served to buffer the centers from the external environmental uncertainties. This in turn created more reliable administrative and structural orders that helped the subordinates to have higher internal or task autonomy, which further led to higher financial performance. In view of the importance of the sales growth to measure the success of decentralization during privatization, we test the hypothesis that the importance of an outlet and the competition faced by it moderates the relationship between the level of subordinate’s autonomy and the outlet’s sales growth, which leads to the following hypothesis:

**H5**: The relationship between autonomy and sales growth is moderated by the importance of the outlet and by the level of competition faced by it.

In the following section we describe the context of the privatized organizations from which we collected empirical data to test the proposed hypotheses. The descriptions of the context include the structures, systems and agreements that emerged during the privatization process.

**The research study**

**Organizational context**

EC and TC provide electric and telecommunication utility services in this Asian country. Before privatization these two companies monopolized utility services in these two sectors. They were privatized in 1991, and currently they are the largest publicly traded companies on the country’s stock exchange. After privatization the government began deregulating both sectors, and in 1999 TC’s monopoly in the telecom sector ended, but EC continues to enjoy its monopoly. Thus, private companies in TC’s space, particularly those that use alternative technologies such as cellular services are great competitive threats to its sales growth. Both companies manage their sales by having branches offices across the different states in the country. Within a state there are several area outlets, which are classified into three groups: A, B or C. Area outlets A are located in major cities and serves the most number of customers, while area outlets C are located in rural towns. The management of an outlet is the responsibility of an area manager A, B, or C. As shown in figure 2, the outlet A manager- ASM1 is also a manger of
a state and urban outlet 1. She directly supervises two outlet B managers-BSM2 and BSM3, and the manager of urban outlet 3-BSM3 supervises two rural outlet C managers-CSM1 and CSM2. State managers responded only as supervisors and outlet C managers responded only as subordinates. However, the managers of outlet A only and all outlet B managers responded both as supervisors and subordinates to the trust questions. This is because the earlier managers report directly to a state manger and supervises outlet B managers and the later reports directly to an outlet A manger and supervises outlet C managers. Before conducting the survey these dyadic relationships were identified.

Insert figure 2

In 2000, TC created a new subsidiary company, which we will refer to as STC, and placed the management of all the outlets under it. The goal for STC was to transform the outlets from being cost centers to profit centers, with greater responsibility for their sales growth. STC is responsible for performing all the customer service activities that are performed on behalf of TC. In return STC is reimbursed a fixed rate per customer service activity that ranges between $1 for collecting bills to $6 for signing-on new applicants. A service agreement that was signed in 2001 between TC and STC stipulates these fixed rates and governs all relations between the two companies. On the other hand, EC continues to operate with a similar area manager structure as TC, and the managers reporting to a division (hereafter denoted as DEC) which is hierarchically linked to the parent company. Therefore, less extensive restructuring is taking place at DEC to expand the autonomy of the outlets than at STC to make subordinates responsible for their sales growth. However, in addition to its basic services, now the EC’s outlets also serve as advisory centers that promote the benefits of a life style that uses more electricity and efficient usage of electrical appliances. In 2002, the sales outlets in both companies begun using accounting performance measures such as activity based rates (as used by STC) and non-financial sales targets to manage the outlets. To a great extent the electric company continues to focus on meeting the budget goals by focusing on variances, and the telecommunication company uses comprehensive measures that focus on sales targets and customer satisfaction measures in addition to budget cost achievements.

Data collection

To identify the respondents we used the definition given by Likert (1961). We identified the supervisors of the outlet managers based on the company’s organizational chart that shows whom the outlet managers reported to following the line of reporting. We collected interview, survey and archival data. The archival data was collected
from the review of annual reports, periodical bulletins and publicly available document, and on site observation of company documents. For survey, we used established questionnaires with necessary modification to reflect the situation facing the managers being surveyed. Two sets of questionnaires were prepared, one for top management mostly the supervisory group and another for outlet (subordinate) managers. Both questionnaires were discussed with panel of experts consisting of academicians and outlet managers. The survey instruments were refined based on feedback from relevant persons and then further developed and pilot-tested for understandability. Representatives from both DEC and STC – one top manager and three outlet managers from each company helped us pilot test and finalize the survey instruments. The questionnaire was administered both in English and in the country’s official language. For the official language used in the questionnaire we also followed the back-translation procedure recommended by Behling & Law (2000) that requires translating back to English the questionnaire used in another language.

In managing the outlets, the top management at STC has to rely on managers who are responsible for the different states, which we refer to as State Sales Managers (SSM). Within a state, each SSM is assisted by a group of managers who are responsible for the day-to-day operations of the outlets. Hereafter, the managers’ category A, B, or C outlet managers will be denoted as ASM, BSM or CSM. The sales managers of category A and B outlets are considered as executives of the company, and the manager of category C is a non-executive. The sales managers of category A and some category B outlets report directly to SSM. Additionally, the sales manager of a category A outlet can also be supervising one or more category B outlets. Further, the sales manager of category B outlet can be responsible for one or two category C outlets too. The top managers at DEC also have to rely on their respective state sales managers (SSM). Each SSM is assisted by a group of managers to oversee the distribution of electricity within a state, and for customer services at the outlets. In a similar fashion to STC, DEC managers can be classified as ASM, BSM, and CSM; and ASM and BSM belong to the executive cadre at DEC while CSM does not. At DEC, ASM reports directly to the SSM and supervises one or more BSM, and BSM supervises CSM. Therefore, in both companies four different types of dyads were surveyed and they were: (1) SSM-ASM, (2) ASM-BSM, (3) ASM-CSM, and (4) BSM-CSM. At the end of 2003, we administered questionnaires for all four types of dyads, and asked the supervisors’ SSM to evaluate the trustworthiness of the ASM, and the ASM to evaluate the trustworthiness of BSM and so fourth. Each questionnaire was unique to the SSM or the category of the outlet manager responding so that they clearly knew which subordinates they were evaluating. We also asked subordinates’ CSM, BSM, and ASM
the trust they had in their supervisors. The appendix provides the questionnaire used to survey an outlet B manager who answered the trust questions twice, once evaluating his or her superior and a second time evaluating his or her subordinates. At STC, we received responses from 17 ASM (that included 14 SSM), 20 BSM, and 36 CSM. In total we collected responses from 41 supervisors representing the dyads at the SSM-category A or B managers, 40 subordinates representing the dyads at the category A or B sales manager-SSM level, 27 superiors representing the dyads at the category A or B sales manager-category C sales manager level, and 35 subordinates representing the dyads at the category C sales manager-category A or B sales manager level. This results in a sample of 68 supervisors evaluating their subordinates and 75 subordinates evaluating their superiors. This is a 95% response rate.

The outlets at EC are also classified into three categories that are similar in meaning to ASM, BSM and CSM, and the ASM are responsible for larger areas and CSM are responsible for small branches. At EC we received responses from 16 top managers and 74 outlet managers; this could be broken down as 37 ASM (that included 11 SSM), 13 BSM, and 35 CSM. We obtained responses from 37 dyads at the SSM-category A or B managers, 39 dyads at the category A or B sales manager-SSM level, 13 dyads at the category A or B sales manager-category C sales manager level, and 35 dyads at the category C sales manager-category A or B sales manager level, which result in a sample of 50 supervisors evaluating their subordinates and 74 subordinates evaluating their superiors. This is an 80% response rate. High response rates were achieved because of the cooperation of the parent companies and the outlets.

Measurement of variables

Organizational culture

Hofstede et al. (1990) used six organizational culture dimensions, which were 1) process vs. results orientation, 2) job vs. employee focus, 3) parochial vs. professional focus, 4) open vs. closed attitude, 5) tight vs. loose standards and 6) normative vs. pragmatic approach. In this study we focus on the first two dimensions that are important to the context being studied, and has been found to have items to measure them with reliability. These two constructs were measured using 19 items, with two sentences provided to measure each item in the construct (see appendix). The positively worded sentences were positioned on the right hand side and the negatively worded sentences on the left hand side of the questionnaire, and on a 7-point Likert scale respondents were asked to identify

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1 This study is part of the PhD research thesis of one of the author’s and the complete research instrument can be obtained from the corresponding author.
the extent to which they agreed with each of the statement. In each two part construct the lower score indicates that they agreed more with the first part (left hand side or more process and job oriented) and a higher score indicated they agreed with the second part (right hand side or more results and employee oriented) of the construct. Principal components factor analysis with Varimax rotation results show that this scale is uni-dimensional with 5 out of the 19 items loading on a single construct. All 19 culture items (OC1-OC19) are shown in the appendix, and the 5 items loading together are shown in bold. Further, based on where most number of 5 items relates to in the original scale we named them as job-to-employee oriented culture scale. The reliability test indicates that the five items have a Cronbach (1951) α coefficient of 0.90, which provides support for using the composite mean score for analyses.

**Budget emphasis**

The management control system of interest in this study is how budgets are used by supervisors to evaluate subordinates, and supervisors who evaluate the performance of their subordinates were the respondents. This measure was adapted from Hopwood (1972), who had used four evaluative styles with respondents asked to rank order their use. Instead of using rank order, Brownell & Dunk (1991) asked their subjects to evaluate the same four styles on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). For our study, we used Hopwood’s evaluative styles, and they were measured with one item for budget constrained (BC) style, two items for profit conscious (PC) style, one items for both meeting budgets and concern for long-run costs and revenues and finally three items for non-accounting style. All 7 items (BS1-BS7) used to measure supervisors’ budgetary styles are shown in the appendix. The description of the study’s context suggests the supervisors’ are attempting to change their style from using the budgets as a budget constraint (meeting the budget) tool to a more profit conscious tool for managing costs. Table 1 show that the two PC style items (BS1 and BS3) and an item measuring non-accounting style (BS5) load together with the Cronbach α coefficient of 0.65. Given that this reliability score is close to the rule of thumb of 0.7, we used the mean score of these three items to measure supervisor’s budgetary style (Cook & Campbell, 1979).

**Subordinates’ autonomy**

This measure is concerned with the level of internal task autonomy given to outlet managers to carry out their work activities. We asked the outlet managers to answer the questions using a 5-item subset of Aiken and Hage
centralization scale. The questions were originally developed and used in social welfare and healthcare organizations but this scale has been found to be reliable when used in other types of organizations as well (Dewar, Whetten & Boje, 1980). All responses were measured on a 7-point Likert scale ranging from 1 ‘not at all true’ to 7 ‘definitely true’. As lower score of the items (AU1-AU5) means more autonomy, which is not consistent with the other scales, we reversed the coding of these items so that a low (high) score indicates low (high) autonomy. The reversely coded items have a Cronbach α coefficient of 0.85. Given the high reliability, we composed the mean score of the reverse coded items to form the autonomy scale.

Supervisors’ and subordinates’ trusts

As shown in figure 2, before administering the surveys, the dyadic relationships were formed by matching each supervisor with the subordinates they oversaw. We used the four-item scale reported in Mayer & Davis (1999) to measure the superiors’ and subordinates’ trust levels. Original scale was a five point scale but it was adjusted to be consistent with the seven-point scales used to measure other constructs. Principal components factor analysis with Varimax rotation results indicate that three of the items (LT1, LT2 and LT4) loaded on one factor with a Cronbach α coefficient of 0.75. Hence, we determined the mean score for the three items to measure the leader’s trust in their subordinates’ (LTS). As suggested by Brower et al., (2003) and as shown in the appendix, we used the mirror image of the questions from the superiors’ trust scales to obtain the subordinates’ trust scale. Unfortunately, the factor analysis indicated that the items (ST1-ST4) have a Cronbach α coefficient of only 0.5; hence we did not use the full subordinate trust scale for our analyses. However, prior studies have used the first question (ST1) to measure the subordinates’ felt trust of their supervisors’ (Brower et al., 2003), which we also do. The first item in this scale states “How much do you think the group sales manager would let you have influence over issues that are important to you?”

Competition

The extent of competition faced by the outlet managers was measured using a single question asking “How much overall competition their organization faced?” The intensity of the competition faced by an outlet was measured using a 7-point Likert scale, where a score of 1 was anchored as no competition and a score of 7 was intensive competition. This scale was used by Richardson et al., (2002) as well.
Importance of an outlet

The outlet’s importance was assessed based on how they were categorized by the parent company. The larger outlets at TC were category A outlets located in urban areas and the smaller outlets were category C outlets located in the rural areas. The urban outlets have a greater volume of activity but are growing slower than the rural outlets. We coded an outlet as 2, for category A or B outlet, and 1 for category C outlet to ensure that there would be more or less equal number of large and small outlets in our sample.

Performance Measure

Performance was measured as log of total sales related to the services provided to the parent company only. The current performance is the log of 2003 sales and past performance is the log of the 2002 sales. STC and DEC can still depend on their parent companies to reimburse all expenses, particularly if they were not covered by the revenues generated by the outlets. This is particularly true for the DEC than for STC because it is only a division of the electric company. Additionally, since they were government bureaucracies’, head-count management is weak, and information about investments made in each outlet was also not available. Further, to focus on sales growth we used change in sales, which was measured as log of sale in 2003 less log of sales in 2002 for each outlet. We also found that the results below hold true whether we use percentage improvement or the absolute growth in 2003 sales.

Results

Table 1 indicates that the scales measuring subordinates autonomy, organizational culture, supervisors trust in subordinates and supervisors’ profit conscious budgetary style have convergent and discriminate validity; hence they are analyzed as separate constructs. Table 2 panels A and B provide descriptive statistics and correlations results separately for the telecommunication (STC) and electric company (DEC) respectively. The means for profit conscious budgetary style, employee oriented culture, autonomy and competition levels are significantly higher for STC than DEC at the 5% level. This is consistent with STC being more decentralized with more autonomous outlet managers who are facing greater competition than is DEC. In contrast, the means for superiors’ trust in subordinates and sales growth were higher for DEC than STC at the 5% level of significance. This is consistent with DEC outlets enjoying greater monopoly and being more integrated with the larger company that is responsible for both the generation and distribution of electricity. The Pearson correlation coefficients indicate that competition significantly
associated with the superiors’ budgetary style and the leaders’ trusts in subordinates in both companies. However, competition is significantly positively affecting the organizational culture at STC only. These results are consistent with studies that have found that budgetary emphasis and stress is greater (Briers & Hirst. 1990), and the impact on organizational culture is stronger (Hofstede et al. 1990) when the competition faced by a company is more intense. However, the later association is absent when a company enjoys a monopoly position in its industry, as is the case with DEC. Furthermore, at DEC, the subordinates’ autonomy perceptions and organizational culture are significantly negatively correlated, which is consistent with more centralized hierarchical structure. On the other hand, supervisors’ trust in their subordinates’ (LT) is significantly positively correlated with subordinates’ autonomy only at STC. These correlation results suggest that during privatization conflicts can emerge between subordinates willingness to be autonomous and superiors’ trust in them, particularly when the company culture doesn’t empower employees.

Insert tables 1 and 2

Hypothesis H1 states that an organization’s culture will influence subordinates’ perception of autonomy. Table 3 panel A regression analysis shows that the path coefficient for culture and its interaction with company are significant. Thus, hypothesis H1 is supported. An employee oriented culture empowering subordinates, which is likely present in STC but not in DEC is associated with higher subordinates’ perceptions of autonomy. Hypothesis H2 states that an organization’s culture influences superiors trust in subordinates, while hypothesis H3 states that superiors’ budgetary style will influence their trust in subordinates. Table 3 panel B is used to test both these hypotheses. It shows that a greater profit conscious budgetary style influences the supervisors’ trust in subordinates. This finding extends Imoisili (1989) study which reported that subordinates stress level was associated with a supervisors’ budget constrained style. Our study shows that superiors’ by adapting a profit conscious style can build their trust in subordinates’ which supports H3. More importantly, the analysis also shows that the path coefficient for neither the organization’s culture nor the type of company significantly affects the superiors trust levels. Thus, it seems that in Asia, because of high power distance, superiors form their trust perceptions independently of the organizational climate; therefore, there is no support for H2. Further, it should be noted that in table 3 panel A the superiors’ budgetary style does not affect subordinates’ autonomy, which seems contrary to prior accounting research that suggests that superiors level of budget emphasis and subordinates’ budget participation should be matched to
affect performance (e.g., Magner et al., 1995). This could be the result of our study measuring a broader management role in sales outlets.

Insert table 3

The remaining two hypotheses (H4 and H5) examine the direct effect of trust congruence and the moderating effects of competition and or branch importance on autonomy, which in-turn may affect sales growth. Hypothesis H4 states that higher trust congruence between supervisors’ trust in subordinates and subordinates felt trust by supervisor is associated with higher sales growth. Table 4, shows neither the direct effect of superiors trust nor the moderating effect of trust congruence improves sales, thus H4 is not supported. However, table 4 shows that the company effect is direct and negative on sales growth. In our study, STC was coded as 2 and DEC was coded as 1, hence, the results support the notion that sales growth is significantly higher at DEC’s outlets. Table 4 also shows that the interaction between autonomy and importance is negative and marginally significant. The negative beta coefficient for the interaction between autonomy and importance is due to the sales growth in the rural areas (coded as 1) is stronger than in the urban areas (coded as 2) for both companies. Thus, the result support for H5, that the affect of subordinates’ autonomy on sales growth is moderated by the importance of the outlet. Richardson et al., (2002) found that the level of competition faced by a branch moderates the positive effect of autonomy on sales, but our study finds that it’s the importance of a branch rather than competition that has a greater effect. Therefore, the results suggest that, for restructuring to succeed in a high power distance country, it’s important to pay attention to the structure, company culture and supervisors’ budgetary evaluation style. Appropriately managing them can influence how much subordinates value having greater task autonomy, beyond simply participating in the budgetary process without being able to affect it.

Insert table 4

Structural equation modeling is used to address all the effects simultaneously and test the framework using one comprehensive statistical method (Hair et al., 1995). Under this modeling approach the fit between data and a framework is assessed at two different levels. In the first level, overall model fit measures used include goodness of fit index (GFI), normed chi-square (i.e., chi-square divided by the degrees of freedom), normed fit index (NFI), non-normed fit index (NNFI), comparative fit index (CFI), root mean square residual (RMSR) and the root mean square error of approximation (RMSEA) (Hair et al., 1995; Bentler, 1990). At the second level, the significance of the path coefficients is considered using the t-value. A normed chi-square value between 1.00 and 3.00 indicates the model
fits the data well, and a GFI, NFI, NNFI, and CFI fit values of 0.9 or above is most desirable as they represent a very good fit (Chua, 1997). An RMSR value less than or equal to 0.10 indicates good fit and RMSEA value less than or equal to 0.08 indicates acceptable model fit. These values for the model in figure 3, that modifies the original framework to show trust congruence directly affecting autonomy are, a GFI of 0.88, normed chi-square of 1.19, NFI of 0.87, NNFI of 0.97, CFI of 0.97, and RMSEA of 0.04 thus, the data is a good fit for the modified framework.

Insert figure 3

LISREL analysis in figure 3 shows there is no relation between budgetary styles, organizational climate or trust congruence, and they also do not directly affect sales growth, results that are consistent with our previous analyses. Instead, the most significant effect of supervisors’ increasingly profit conscious budgetary style is on the trust perceptions they develop about their subordinates, which is a result consistent with our support for H3. During privatization, the most significant direct effect of the evolving organizational climate and trust congruence is that it significantly affects outlets autonomy. The first part of the finding is consistent with our support for H1. To develop a stronger measure of trust congruence we constructed a multi-items scale for it. As per Hair et al (1995), the multi-item scale is constructed by multiplying the subordinate felt trust measure by the path coefficients for the superiors’ trust in subordinates affecting autonomy, which we obtained from an intermediate LISREL analysis. The effect of these results on autonomy confirms the telecommunication company senior managers’ view that greater decentralization and changes in the budgetary evaluation styles are necessary to win the confidence of outlet managers. Abernethy et al. (2004) found that decentralization decision is negatively related to intra-firm interdependencies, and the use of a performance measurement system is affected by the level of interdependencies between the divisions in the firm. Thus, reducing the hierarchical levels in the telecommunication company by creating a separate subsidiary company without regard to the level of interdependencies between the sales and other functions could have dysfunctional consequences, particularly, when an increasingly profit conscious leadership style conflicts with the company’s culture. Even though the electric company versus telecom company results suggests that conflicts between sales and other interdepartmental functions are better coordinated by having them within the firm, the increasing competition faced by the telecommunication company may have necessitated it adapting a more decentralized structure. Further, our results suggest that the goals of decentralization can be reinforced by a superiors’ budgetary evaluation style that is more profit conscious.
The regression results in Table 4 that supports H5 suggests that subordinates' autonomy perceptions marginally affects sales growth depending on how superiors manage outlets importance to the parent company. Figure 4 shows the interaction between the type of outlets and autonomy affecting sales growth. This figure shows that rural outlets with the greater autonomy have the highest sales growth and the urban outlets with the highest autonomy having the lowest sales growth. For the telecommunication company, the reason for the low sales growth in the urban areas is the intense competition in cities. Consequently, supervisors have an important task of balancing the importance vs. the level of competition faced by outlets by decentralizing sales decisions and coordinating its interdependency with other functions. Thus, our study emphasizes that, for subordinates to be autonomous, the importance of superiors' adapting a leadership style that goes beyond emphasizing meeting the sales budget. Further, respondents from 48 urban outlets and 57 rural outlets provided a score of 5 or less for task autonomy. This suggests that outlet managers don’t feel they can operate autonomously independent of the parent company. However, achieving the appropriate level of coordination using a profit conscious budgetary style is important given that growth is coming from smaller rural outlets.

Insert figure 4

Conclusion

To understand the contribution and results of our study, it is important to appreciate the cultural context in which the surveyed companies operate. The national culture of a country and organizational cultures are phenomena of different order, but management practices in a company are culturally dependent on both (for reviews see Hofstede et al., 1990; 1999a). For example, Hofstede et al. (1990) has shown that power distance (PDI) and uncertainty avoidance (UAV) have particular relevance for issues in organizational design. According to them, structuring an organization demands answering two important questions: which are (a) who should have the authority to decide what? And (b) what rules and procedures will be followed to attain the desired ends? The first question is greatly influenced by PDI and the second question is influenced by UAV. Thus, national culture plays a significant role in how managers behave, and influences the success of organizational change. Further, acceptance of PDI between a superior and a subordinate is a function of the managers’ value systems. In a high PDI Asian country, subordinates may accept the fact that power will be unequally distributed. Further, the level of PDI in an organization is related to

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2 Because the construct measuring “importance” is a categorical variable it could not be used in our LISREL analyses. Further we did not perform separate LISREL analysis for each company but the fit measures were not satisfactory. These are reasons why we could not show that autonomy to sales growth path is more significant in STC.
the degree of centralization of authority at the top (Hofstede et al. 1990). Consequently, when subordinates show respect for the superiors’ authority because of their organizational position, it results in a very paternalistic work relationship between the superior and the subordinate (Child, 1981). Child observed that in Asian countries if the decisions are not made by the superiors they are viewed as poor leaders, and subordinates generally do not expect to be consulted, even when decisions affect them. Contrast that with low PDI societies such as U.S. or U.K, where hierarchies exist for administrative convenience and subordinates expect to be consulted on decisions that affect them (Perera & Mathews, 1990; Child, 1981). The Asian country where the two companies are located also has a society with high PDI and weak UAV (Hofstede, 1980), and as such employees prefer unambiguous instructions from their superiors. According to Hofstede et al., (1990; 1999a) this requires highly structured organizational activities with strong rules and regulations to govern day-to-day operations. Further, such a country tends to have organizational culture that is open and friendly to new albeit similar employees, leading to climate that can also resist organizational change. We are unaware of studies examining budgetary and trust relations between superiors and subordinate in such a climate.

Past accounting studies have looked at inter company trust levels, particularly in joint venture relations between a company and their vendor partners (e.g. Dekker, 2004; Langfield-Smith & Smith, 2003). Our study looks at intra-company trust relations in two companies that have restructured sales operations. The telecommunication company that faced more intense competition formed a separate subsidiary company while the electric company enjoys its monopoly to operate the outlets via a separate division within the company. The later outlets are also responsible for generating and distributing electricity in addition to serving customers whereas the telecom outlets only serve the parent company’s customers. The level of asset specificity in privatized telecommunication and electric utilities is so great that there is high level of interdependency between the sales and production activities. Given the complete deregulation and rapid technological innovations in the telecom industry, the separation of the sales outlets to deliver customer services may be critical for its survival. In the telecom company, the separated sales company was linked with the parent company using a contractual agreement that reimbursed the sales subsidiary based on activity-based service pricing. Tomkins’ (2001) suggests that “the major value of contracts may lie in it being a device to set down goals and methods to enable mutual planning and communication, rather than being primarily an ex post control device” (p.177). Vosselman & van der Meer-Kooistra (2004) suggest that use of contracts are an efficient means of compensating in the presence of legitimate mistrust between parties, when a
promise made is not in the self interest of the promisor. Hence, they suggest the need for trust building via mutual relational signaling. Our investigation of the role budgetary evaluation style in building trust between superiors and subordinates seems to confirm Vosselman & van der Meer-Kooistra’s position.

We performed both path analysis and LISREL analysis because of the advantages they have for testing the framework with constructs measured using both continuous and categorical variables. The path coefficients from organizational climate to subordinates’ autonomy and superiors’ budgetary styles to their trust levels in subordinates were significant in both analyses. Additionally, LISREL analysis indicates the level of superiors and subordinates trust congruence affects subordinates autonomy, and the regression analysis indicates that the interaction between outlets autonomy and importance is marginally significant in affecting sales growth. Therefore, this study finds that in a high-power distance country, in the face of organizational change, beyond having contracts to facilitate hybrid structures, leaders play a pivotal role in influencing the extent of subordinates’ autonomy and managing the effects of the importance of outlets. In such context the level of budget emphasis and how they are used by supervisors plays a significant role in influencing the leaders trust in subordinates. Our study also finds that, in Asia, the subordinates’ autonomy is significantly influenced by the organizations culture, but the later does not influence supervisors’ trust.

Limitations of past supervisory style and budgetary participation studies are that they are “method driven” as opposed to “phenomenon drive” and tend to uncouple the connection between theory statements and empirical tests (Briers & Hirst, 1990). Our study overcomes these criticisms by undertaking to study a common phenomenon of privatization by restructuring organizations. We conscientiously integrate theory and empirical testing by grounding it on organizational culture and context. Another criticism of budgetary studies is the use of self-rated budgetary performance variables as the dependent variable. In our study the interest of the companies studied is to learn whether the strategy, structural, and systems changes accompanied with leadership style changes led to sales growth. However, we may still have omitted other variables such as budget participation that may have limited the comparison with past studies. Furthermore, one has to carefully interpret the findings because we study only two companies restructuring in one country, and our study finds that the national culture affects the results. Despite these limitations the study was invaluable for the organizations that took part in it. The results have helped the companies engage in organizational changes to bring about the appropriate level of decentralization to increase the performance of sales outlets. Finally, the study contributes to the accounting literature by integrating research from the management and leadership areas, which should be consulted in future studies of budgetary supervisory style.
References


Hofstede, G. H. (1999b). Problem remains but theories will change: the universal and the specific in 21st-century global management. *Organizational Dynamics* (summer), 34-44.


Appendix: Measurement Instruments
(In table 1, items shown in bold have a factor loading above 0.5)

Organizational Culture

The following questions are about your perceptions of the organizational practices that affect your daily activities. Please use the scale of 1 – 7 as given below and kindly tick (/) the one that would best describe the organizational practices of your company.

1 2 3 4 5 6 7

The meaning of a rating of 1 on the left hand side (LHS) and the rating of 7 on the right hand side (RHS) was specified as follows:

**OC1** LHS: Generally, the employees prefer to be the ‘followers’ rather than be ‘pioneers’.
RHS: Generally, the employees prefer to be ‘pioneers’ rather than be ‘followers’.

**OC2** LHS: Decisions are centralized at the top.
RHS: Decisions are decentralized to lower levels.

**OC3** LHS: The management determines the changes in the company.
RHS: The employees are also involved in determining the changes in the company.

**OC4** LHS: Employees’ private life is their own business
RHS: Employees’ private life is everyone’s business

**OC5** LHS: Only few special people can fit into this organization.
RHS: Quite a large number of people can fit into this organization.

**OC6** LHS: Our department is the worst among all departments in this organization.
RHS: Our department is the best among all the departments in this organization.

**OC7** LHS: The management pays little attention to physical work environment.
RHS: The management pays a lot of attention to physical work environment.

**OC8** LHS: The management is stingy with small things.
RHS: The management is generous with small things.

**OC9** LHS: Generally, the organization and people are closed and reserved (not friendly and likes to keep a distance).
RHS: Generally, the organization and people are opened (receptive and friendly).

**OC10** LHS: The new employees need more than a year to feel at home.
RHS: The new employees need a short period to feel at home.

**OC11** LHS: Not everyone in the organization is cost conscious.
RHS: Everyone in the organization is cost conscious.

**OC12** LHS: Meeting times are only kept approximately.
RHS: Meeting times are kept punctually.

**OC13** LHS: Generally employees are crude (e.g. not polite, have bad manners).
RHS: Generally employees are well-groomed (e.g. polite, well trained).

**OC14** LHS: The employees seldom speak seriously of the organization and their job.
RHS: The employees always speak seriously of the organization and their job.

**OC15** LHS: The employees are dogmatic on matters of ethics.
RHS: The employees are pragmatic on matters of ethics.

**OC16** LHS: The organization makes little contributions to society / public.
RHS: The organization makes a lot of contributions to society / public.

**OC17** LHS: In doing our job, procedures are more important than results.
RHS: In doing our job, results are more important than procedures.

**OC18** LHS: The organization gives little emphasize on meeting customer’s needs.
RHS: The organization gives a lot of emphasize on meeting the customer’s needs.

**OC19** LHS: The employees never talk about the history of the organization.
RHS: The employees always talk about the history of the organization.
Budgetary Evaluation Style (BS)

How the performance of managers below you is assessed is likely to influence their behaviours. To this end we would like to understand how managers below you are assessed after your company was privatised using the scale given here.

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Neutral</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BS1 Keeping costs in line with budgeted cost targets is emphasized more than achieving the other budget goals. (PC style)
BS2 Achieving the planned sales targets is emphasized more than achieving the other budget goals. (BC style)
BS3 Following the established procedures for achieving the cost targets are more important than meeting the sales targets. (PC style)
BS4 Meeting both the budgeted costs and sales targets are emphasized equally. (BP style)
BS5 Neither meeting the budgeted costs or sales targets are important compared to achieving the non-accounting targets (e.g. improve the quality and volume of the services) for improving customer satisfaction. (Non-accounting style).
BS6 It is important to secure high above average employee morale and job satisfaction to firm’s objectives. (Non-accounting style).
BS7 It is important to maintain an excellent public image. (Non-accounting style).

Subordinate’s Autonomy (AU)

The following questions are to determine the level of autonomy given to you to carry out your work activities after privatization. Using the scale of 1 – 7 as shown below, please indicate your opinion for each of the statements given.

<table>
<thead>
<tr>
<th>Not at all true</th>
<th>Somewhat true</th>
<th>Definitely true</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AU1 There can be little action taken until my immediate boss/supervisor approves the decision.
AU2 A person who wants to make his own decisions would be quickly discouraged.
AU3 Even small matters have to be referred to my immediate boss/supervisor for approval.
AU4 I have to ask my immediate boss/supervisor before doing almost anything.
AU5 Any decisions I make have to get the approval from my immediate boss/supervisor.

Superior’s Trust of Subordinate (LT- Each superior evaluates all outlet managers’ reporting to her)

The trust managers have in each other significantly affects their behaviors. To this end we would like to determine the nature of your relations with your subordinates reporting to you. Please indicate the degree to which you agree with each statement by using the scale given below.

<table>
<thead>
<tr>
<th>Very little</th>
<th>Neither much nor little</th>
<th>Very much</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

LT1 How much do you think each individual in-charge of an outlet should have influence over issues that are important to him or her?
LT2 How much would you be willing to let each individual in-charge of the outlet has complete control over his or her future in this company?
LT3 How much is it important for you to know what each individual in-charge of an outlet is doing?
LT4 How comfortable would you be giving to the individual in-charge of an outlet a task or problem that is critical to you?
Subordinate’s Trust of the Supervisor (ST)

The trust managers have in each other significantly affects their behaviors. To this end we would like to determine the nature of your relations with your Group Sales Manager. Please indicate the degree to which you agree with each statement by using the scale given on the left.

<table>
<thead>
<tr>
<th>Scale</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very little</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither much</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>nor little</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very much</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ST1 How much do you think your Group Sales Manager would let you have influence over issues that are important to you?

ST2 How much would you be willing to let your Group Sales Manager have complete control over you’re future in this company?

ST3 How much is it important for you to know what your Group Sales Manager is doing?

ST4 How comfortable would you be giving your Group Sales Manager a task or problem that is critical to you?
Figure 1
Budget Evaluation Style, Organization Culture, Trust and Autonomy Framework

- Supervisor’s Budgetary Evaluation Style (BS)
  - H3
- Supervisor’s Trust in Subordinates (LT)
  - H4
- Subordinate’s Felt Trust by supervisor (SFT)
- Subordinate’s Autonomy (AU)
  - H5
- Organization’s Culture (OC)
  - H1
- Competition & Outlet’s Importance (Comp & Imp)
- Sales Growth
### Figure 2
Hierarchical structure of the outlets by category

<table>
<thead>
<tr>
<th>Outlet Name</th>
<th>State Sales Manager &amp; Outlet ‘A’ Manager</th>
<th>Outlet ‘B’ Manager</th>
<th>Outlet ‘C’ Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Outlet 1</td>
<td>ASM1 (&amp; SSM1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Outlet 2</td>
<td>BSM2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Outlet 3</td>
<td>BSM3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Outlet 1</td>
<td>CSM1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Outlet 2</td>
<td>CSM2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legends:**
- ASM1 – Category A outlet manager for Outlet 1
- SSM1 – State Manager for State 1
- BSM2 – Category B Outlet Manager for Outlet 2
- BSM3 – Category B Outlet Manager for Outlet 3
- CSM1 – Category C outlet manager for Outlet 1
- CSM2 – Category C outlet manager for Outlet 2
Figure 3
Structural equation modeling of the framework using LISREL analysis
(Significant paths are shown in bold)

Chi-Square = 193.92, df=163, RMSR =0.05, RMSEA=0.04, GFI=0.88, NFI=0.87, NNFI=0.97, CFI=0.97
Figure 3

Interaction of the importance of the outlet and autonomy on sales growth
Table 1
Principle Component Analysis with Varimax rotation Results (only factor loading of 0.5 and above are shown)

<table>
<thead>
<tr>
<th>Item No:</th>
<th>Autonomy</th>
<th>Culture</th>
<th>LTS</th>
<th>BS</th>
</tr>
</thead>
<tbody>
<tr>
<td>AU4</td>
<td>0.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AU3</td>
<td>0.86</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AU5</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AU2</td>
<td>0.71</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AU1</td>
<td>0.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC2</td>
<td></td>
<td>0.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC4</td>
<td></td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC1</td>
<td></td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC17</td>
<td></td>
<td>0.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC3</td>
<td></td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LT4</td>
<td></td>
<td></td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>LT1</td>
<td></td>
<td></td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>LT2</td>
<td></td>
<td></td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>BS1</td>
<td></td>
<td></td>
<td></td>
<td>0.76</td>
</tr>
<tr>
<td>BS3</td>
<td></td>
<td></td>
<td></td>
<td>0.72</td>
</tr>
<tr>
<td>BS5</td>
<td></td>
<td></td>
<td></td>
<td>0.67</td>
</tr>
<tr>
<td>EV</td>
<td>3.47</td>
<td>2.34</td>
<td>1.93</td>
<td>1.85</td>
</tr>
<tr>
<td>% Variance</td>
<td>21.70</td>
<td>14.65</td>
<td>12.10</td>
<td>12.07</td>
</tr>
<tr>
<td>Cumulative %</td>
<td>21.70</td>
<td>36.35</td>
<td>48.45</td>
<td>60.52</td>
</tr>
</tbody>
</table>
### Table 2
Descriptive statistics and Pearson correlations by company
(Those in bold are significant at 5% level, and those in blue are significant at 10% level)

#### Panel A – Telecommunication Company’s Profile

<table>
<thead>
<tr>
<th></th>
<th>Mean (S.D.)</th>
<th>BS</th>
<th>OC</th>
<th>AU</th>
<th>LT</th>
<th>Comp</th>
<th>Imp</th>
<th>Sales Growth</th>
<th>ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS</td>
<td>4.74 (1.21)</td>
<td>1.00</td>
<td>-0.03 (0.39)</td>
<td>0.03 (0.40)</td>
<td><strong>0.18 (0.05)</strong></td>
<td><strong>0.39 (0.01)</strong></td>
<td>0.12 (0.15)</td>
<td>0.03 (0.41)</td>
<td><strong>0.19 (0.05)</strong></td>
</tr>
<tr>
<td>OC</td>
<td>4.34 (1.02)</td>
<td>1.00</td>
<td>-0.10 (0.22)</td>
<td>0.01 (0.49)</td>
<td><strong>0.22 (0.03)</strong></td>
<td>-0.03 (0.40)</td>
<td>0.05 (0.35)</td>
<td>0.13 (0.14)</td>
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<tr>
<td>AU</td>
<td>4.61 (1.29)</td>
<td>1.00</td>
<td>0.22 (0.03)</td>
<td>0.07 (0.27)</td>
<td>0.16 (0.09)</td>
<td>0.06 (0.31)</td>
<td><strong>0.24 (0.02)</strong></td>
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<tr>
<td>LT</td>
<td>4.84 (0.90)</td>
<td>1.00</td>
<td>0.25 (0.01)</td>
<td>-0.02 (0.42)</td>
<td>0.04 (0.37)</td>
<td>0.31 (0.00)</td>
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<tr>
<td>Comp</td>
<td>6.34 (1.00)</td>
<td>1.00</td>
<td>0.03 (0.41)</td>
<td>0.13 (0.13)</td>
<td>0.13 (0.14)</td>
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<tr>
<td>Imp</td>
<td>1.50 (0.50)</td>
<td>1.00</td>
<td>-0.06 (0.29)</td>
<td><strong>0.25 (0.02)</strong></td>
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<td></td>
</tr>
<tr>
<td>Sales Growth</td>
<td>-0.02 (0.21)</td>
<td>1.00</td>
<td></td>
<td>-0.12 (0.15)</td>
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<td></td>
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</tr>
<tr>
<td>ST</td>
<td>4.72 (1.39)</td>
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<td></td>
<td>1.00</td>
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#### Panel B – Electric Utility Company’s Profile

<table>
<thead>
<tr>
<th></th>
<th>Mean (S.D.)</th>
<th>BS</th>
<th>OC</th>
<th>AU</th>
<th>LT</th>
<th>Comp</th>
<th>Imp</th>
<th>Sales Growth</th>
<th>ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS</td>
<td>4.42 (0.68)</td>
<td>1.00</td>
<td><strong>-0.19 (0.05)</strong></td>
<td><strong>-0.17 (0.08)</strong></td>
<td><strong>0.41 (0.01)</strong></td>
<td><strong>0.22 (0.00)</strong></td>
<td><strong>0.22 (0.03)</strong></td>
<td>0.00 (0.50)</td>
<td>0.16 (0.11)</td>
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<tr>
<td>OC</td>
<td>3.72 (1.14)</td>
<td>1.00</td>
<td><strong>-0.27 (0.01)</strong></td>
<td>-0.13 (0.14)</td>
<td>-0.05 (0.33)</td>
<td>0.14 (0.11)</td>
<td>-0.03 (0.40)</td>
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<tr>
<td>AU</td>
<td>3.82 (1.42)</td>
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<td>0.13 (0.25)</td>
<td><strong>0.33 (0.01)</strong></td>
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<tr>
<td>LT</td>
<td>5.20 (0.91)</td>
<td>1.00</td>
<td><strong>0.21 (0.04)</strong></td>
<td><strong>0.21 (0.04)</strong></td>
<td>-0.14 (0.12)</td>
<td>0.03 (0.42)</td>
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<tr>
<td>Comp</td>
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<tr>
<td>Imp</td>
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<td>1.00</td>
<td></td>
<td>0.02 (0.44)</td>
<td>0.10 (0.22)</td>
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<tr>
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<td></td>
<td>0.08 (0.27)</td>
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<tr>
<td>ST</td>
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#### Legends:
- BS – Budgetary style
- OC – Organizational Culture
- AU – Subordinate’s Autonomy
- LT – Leader’s (Supervisor’s) Trust
- Comp = Competition
- Imp = Importance
- ST = Subordinate’s felt Trust
### Table 3

**Regression Analyses of the Predictors of the Mediating Variables of Performance**

(Standardized coefficient are reported, 5% significant levels shown and n = 148)

#### Panel A – Dependent variable: Subordinate’s Autonomy (AU)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta (Path coefficient)</th>
<th>t- statistic</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0.77</td>
<td>0.11</td>
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<td>-1.63</td>
<td>0.01</td>
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<tr>
<td>OC</td>
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<td>0.00</td>
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<tr>
<td>Company</td>
<td>1.01</td>
<td>3.34</td>
<td>0.02</td>
</tr>
<tr>
<td>OC*Company</td>
<td>-1.05</td>
<td>-2.47</td>
<td>0.02</td>
</tr>
<tr>
<td>LT</td>
<td>-0.02</td>
<td>-0.10</td>
<td>0.92</td>
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<td>ST</td>
<td>0.12</td>
<td>0.36</td>
<td>0.72</td>
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<tr>
<td>LT*ST</td>
<td>0.21</td>
<td>0.50</td>
<td>0.62</td>
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R Squared of 0.21 and Durbin-Watson statistics of 1.90

#### Panel B – Dependent variable: Superior’s Trust in Subordinate (LT)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta (Path coefficient)</th>
<th>t- statistic</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0.00</td>
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<tr>
<td>BS</td>
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<td>3.01</td>
<td>0.16</td>
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<tr>
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<td>-0.81</td>
<td>0.42</td>
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<tr>
<td>Company</td>
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<td>-1.42</td>
<td>0.44</td>
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<tr>
<td>OC*Company</td>
<td>0.34</td>
<td>0.78</td>
<td>0.44</td>
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</tbody>
</table>

R Squared of 0.10 and Durbin-Watson statistics of 1.50

**Legends:**
- BS – Budgetary style
- OC – Organizational Culture
- ST = Subordinate’s felt Trust
- Company = Telecom vs. Utility
Table 4
Regression analysis of sales growth on autonomy, trust, and moderating variables
(Standardized coefficient, significant levels at 5% and 10% are reported and n = 140)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>t-value</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
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<td>0.80</td>
<td>0.80</td>
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<tr>
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<td>0.70</td>
<td>0.49</td>
</tr>
<tr>
<td>LT*ST</td>
<td>-0.02</td>
<td>-0.13</td>
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<td>Autonomy</td>
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<td>0.37</td>
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<tr>
<td>Comp</td>
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<td>0.80</td>
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<tr>
<td>Company</td>
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<td>0.00</td>
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<tr>
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</table>

R Squared of 0.16 and Durbin-Watson statistic of 2.19

Legends:
LT – Leader’s (Supervisor’s) Trust
ST = Subordinate’s felt Trust
AU – Subordinate’s Autonomy
Imp = Importance
Comp = Competition
Company = Telecom vs. Utility