



Research Article

An Overall Analysis of Participatory Budgeting Advantages and Essential Factors for an Effective Implementation in Economic Entities

Gabriela Lidia Tănase

Bucharest Academy of Economic Studies, Bucharest, Romania

Correspondence should be addressed to: Gabriela Lidia Tănase; gabrielatanase26@yahoo.com

Received date: 22 April 2013; Accepted date: 5 May 2013; Published date: 13 August 2013

Academic Editor: Andrei Jean Vasile

Copyright © 2013. Gabriela Lidia TĂNASE. Distributed under Creative Commons CC-BY 3.0

Abstract

The subordinate's involvement in the budgetary process may generate amazing benefits for the economic entity. International studies suggest that participatory budgeting may motivate employees, increase their performance, their satisfaction and may help the entity to obtain more realistic budgets. These are the primary reasons for which participatory budgets still are a present topic. This paper aims to offer an overall analysis of the participatory budgeting process, from the advantages that it generates, to the essential elements that should be taken into account for designing an effective participatory budgeting system in economic entities, by providing a synthesis of studies written on this subject. It underlines the benefits, while identifying the necessary conditions for a successful and effective application of participatory budgeting.

Keywords: participatory budgeting, employee performance, job satisfaction, organizational commitment

Introduction

Budgets are management tools universally recognized for their ability to support economic entities in performing their activity in terms of efficiency, effectiveness and economy. Budgets' utility determined

the desire to improve them so that the management of an entity can maximize the benefits they provide. The budgets improvement process also targeted the "human" side of budgeting. Budgets are prepared and executed by people and this

aspect should not be ignored. Therefore, participatory budgeting was and is among the most debated topics in international studies regarding economic entities budgets. We believe that employee participation in the development of budgets and the consideration of human nature and its effects on entities activities can generate amazing benefits. People are subjective, biased, emotional, have views, opinions and feelings. For an efficient conduct of business and a fulfillment of budgeted targets, the entity management must "attract" people on their side. Subordinates involvement in the budgeting process may have amazing effects on their attitude and behavior.

There are many studies arguing that participatory budgeting influence employees' attitude towards the budgeting process and budgets. First, their involvement in the adoption of the budgets that they have to execute, ensure their trust in budget accuracy and fairness (Gomez et al., 2013; Parker and Kyj, 2006; Nouri and Parker, 1998), the sense of involvement and a feeling of job satisfaction (Jermias and Setiawan, 2008). Real participation leads them to devote more time in achieving the entity's objectives (being aware that there are goals that they have established or agreed with), motivates them (Libby, 1999; Jermias and Setiawan, 2008), and thereby it can improve individual performance (Libby, 1999; Parker and Kyj, 2006; Jermias and Setiawan, 2008). Also, the fact that superiors involve subordinates in the decision making process causes employees to have a positive attitude towards budgets, management and towards the entity. This way, the employee becomes committed to the entity and its goals. Motivation of employees is given by the sense of involvement, power and control (Sholihin et al., 2011), by the opportunity to actively participate in the decision process and setting the goals which they have to meet. Participation in goal-setting and the impact that employees feel they have, makes them consider the objectives as fair and achievable (Lau and Tan, 1998). Thus, employee satisfaction and organizational commitment (Parker and

Kyj, 2006; Jermias and Setiawan, 2008) may grow. This leads to increased individual performance.

International studies link participatory budgets to individual performance (Nouri and Parker, 1998), to the exchange of information (Parker and Kyj, 2006), role ambiguity (Parker and Kyj, 2006; Chongetal., 2006), organizational commitment (Parker and Kyj, 2006; Chongetal., 2006; Nouri and Parker, 1998), to the uncertainty of tasks (Jermias and Setiawan, 2008; Lau and Tan, 1998), job satisfaction (Chong et al., 2006; Yuen, 2006), job tension (Lau and Tan, 2006), and so on. Regardless of how the connections between participatory budgeting and all these factors are made (directly or indirectly), what matters is that they exist.

Thus, in our opinion, a participatory budgeting process offers an economic entity advantages that cannot be, and should not be, neglected. Therefore, we believe that is very important to understand the benefits of using participatory budgets and how they help the economic entity. Also, in our view, the managers that want to adopt and implement such a participatory system must identify first the essential elements that are the base for an effective implementation of any participatory budgeting system.

This paper aims to analyze some of the previous studies regarding participatory budgeting and to provide an overview of the advantages of adopting a participatory budget process and of the elements that should be considered for an effective participation. The first section presents the participatory budgeting and the advantages of its use. The next section presents the factors related to participatory budgets. The third and final section deals with the design of an effective participatory budgeting system, followed by conclusions.

Participatory Budgets and the Benefits of Their Use

The participatory budgeting process has gained great significance over the years, as the importance given to its use became increasingly larger. Budgetary participation implies the involvement of subordinates in budgets setting (Libby, 1999; Nouri and Parker, 1998; Sholihin et al., 2011). Participation in the budgeting process involves influence of employees over the final budgets (Libby, 1999; Parker and Kyj, 2006; Magner et al., 1995; Nouri and Parker, 1998; Sholihin et al., 2011) and vertical communication (from superiors to subordinates and from subordinates to superiors) (Parker and Kyj, 2006). Therefore, participatory budgeting is seen as the subordinates influence in setting the budgets (Groen et al., 2012).

In international studies, budgets are related to the agency theory (Parker and Kyj, 2006; Kilfoyle and Richardson, 2011; Nouri and Parker, 1998). The principal (who delegates authority and authorizes the use of resources) seeks to obtain essential knowledge from the agents (information that only they have) and to ensure that the agents' interests do not oppose the interests of the entity (Kilfoyle and Richardson, 2011). In other words, budgetary participation harmonizes superiors' and subordinates' objectives, ensuring that budgets are perceived as fair by all parties involved.

Budgets' main objective is resources allocation. In the agency theory vision, budgets are seen as a negotiation between principal and agent (Kilfoyle and Richardson, 2011). Budget negotiation and employee participation in its development are a necessary step. The entity resources are limited. So, their allocation should be done efficiently. Subordinates know better than their superiors the activities that they perform, their implications and what resources they need in order to achieve the stated objectives (they are holding information with a high degree of accuracy) (Parker and Kyj, 2006; Nouri and Parker, 1998). Information they can provide through participation in the

budgeting process allows an efficient resource allocation (Libby, 1999; Akyeletal., 2012). Participatory budgets take into account in resource allocation the needs of subordinates, and by doing so it reduces the risk of inefficient allocations (Gonçalves, 2013; Akyeletal., 2012). Participatory budgeting, by transparency and communication, ensures a fair allocation of resources. This helps to improve the decision-making process and individual performances (Hassan et al., 2011).

This participatory process also improves information flow (Gonçalves, 2013) between superiors and subordinates. This leads to development of realistic and fair budgets, with a higher degree of accuracy (Nouri and Parker, 1998). Budgetary participation allows superior to obtain relevant information from subordinates (Gomez et al., 2013; Nouri and Parker, 1998; Parker and Kyj, 2006), useful in elaborating budgets.

Involving employees in the budgeting process and enabling them to influence the final budgets, makes subordinates to develop a positive attitude towards superior and budgets. The fact that their superiors involves them in the decisions making process and the fact that they are taking into account their views and knowledge, leads employees to assess leadership as fair and trust worthy, appreciating the transparency in the decision making process (Gomez et al., 2013; Lau and Tan, 2006; Sholihin et al., 2011). Thus, employees are more attached to the organization and the entity's goals became their goals (organizational commitment). Budgetary participation creates a bond of trust between subordinates and superiors (Lau and Tan, 2006; Hassan et al. 2011; Sholihin et al., 2011) requiring collaboration and communication between them (Hassan et al., 2011). Also, because the goals set by budgets are the result of negotiations and subordinates participate in their setting, employees perceive budgets and budgeting procedures as achievable and fair (Libby, 1999; Magner et al., 1995; Hoozée and Bruggeman, 2010). Participatory budgeting

improves the quality and accuracy of budgets (Parker and Kyj, 2006). Thus, if the budgeted values are correct, more achievable, better estimated, the entity may register a reduction of the budget deviations.

Employees who receive unfavorable budgets, but had the opportunity to participate in their making, have a more tolerant attitude towards those who set the budgets, and towards the actual budgets (Magner et al., 1995). However, in order to make budgets be perceived as fair, participation is not the only thing considered to be important. Important for subordinates is also receiving an explanation if their views and opinions are not taken into account, and they cannot influence the final budget (Libby, 1999).

If subordinates perceive budgets as fair and achievable, they will be more motivated and dedicated to their achievement. Thus, individual performance will improve (Libby, 1999). The need for recognition and influence felt by subordinates are satisfied within the participatory process that motivates employees (Tsui, 2001). Involving employees in the budgetary process gives them a sense of accomplishment, of satisfaction, of control and involvement in the decision making process (Sholihin et al., 2011; Hoozée and Bruggeman, 2010). Another special aspect of participatory budgeting is that they provide subordinates challenges, reducing daily job routine (Yuen, 2006). Thus, job satisfaction increases.

The participatory budgeting system is not implemented just to give employees a sense of accomplishment and satisfaction or just to motivate them to achieve budgeted goals. Participatory budgets empower subordinates and make them

more accountable for their actions and outcomes (Gonçalves, 2013; Boulding and Wampler, 2010) through decentralization and delegation of authority (Bland, 2011; Boulding and Wampler, 2010).

In addition to the fact that budgetary participation allows superiors to obtain relevant information, the existence of communication and discussion between superiors and subordinates allows them to clarify objectives and methods (Parker and Kyj, 2006). This reduces role ambiguity (Parker and Kyj, 2006; Sholihin et al., 2011) resulting in increased individual performance.

The participatory process provides employees with the essential information they need to improve their performance, improves communication, increases the loyalty of employee's towards the entity, motivates subordinates, increases job satisfaction, enhances the clarity of objectives and reduces role ambiguity and job tension (Jermias and Setiawan, 2008; Sholihin et al., 2011). Also, participatory budgeting allows superiors to better know the entity's activities and the dependencies between tasks. This enables more effective planning and coordination of activities and the opportunity to incorporate knowledge provided by subordinates in the budgeting process (Jermias and Setiawan, 2008).

After analyzing some of the published papers regarding participatory budgeting, we believe that this process offers many advantages for economic entities. However, in our opinion, they do not come without considerable effort. Thus, in our view, participatory budgeting involves some major disadvantages. The advantages and disadvantages of implementing a participatory budgeting system, from our perspective, are presented in Table 1.

Table 1: Advantages and Disadvantages of Participatory Budgeting

Advantages	Disadvantages
Helps establish a good communication between superiors and subordinates	Bidirectional communication between superiors and subordinates is difficult to accomplish
Helps maintaining a useful exchange of information	It is difficult to determine subordinates to participate, communicate and disclose information
Sustains an efficient resources allocation	Both superiors and subordinates have to have an open attitude
Helps obtaining budgets that are more reliable, accurate and realistic	Participation must occur at higher levels, which is difficult to achieve
Determining subordinates to develop a positive attitude towards budgets, management and entity	Subordinates may try to manipulate budgets and resources allocation in their benefit
Motivates subordinates	To avoid subordinates demotivation, superiors should provide explanations for their lack of influence on the final budget
Increases the satisfaction felt by employees at work	In some cases subordinates may not have relevant information or necessary knowledge that can justify their participation
Clarifies work tasks	Participation can be seen by subordinates as a chore
Reduces role ambiguity	Increased responsibility may be a stress for the subordinates
Increases organizational commitment	The implementation of a participatory budgeting system involves costs
Increases subordinates accountability	The participatory process takes time and effort
Determines subordinates to be more dedicated in achieving their objectives	Mutual trust is essential for effective participatory budgeting system
Helps to the establishment of more realistic and achievable objectives	
Improves individual performance	
Improves the entity performance	

Source: own source

We believe that the benefits of implementing a participatory budgeting system are superior to all the inconveniences that may arise. Also, some of these disadvantages are no longer valid after a period of time and after the establishment and implementation of an efficient participatory mechanism (for example: the difficulty of establishing a solid communication or trust between the ones involved).

If we are to compare an entity that implements a participatory budgeting system and an entity that does not allow

subordinates to participate and have an impact on the final budget, we will probably find that in the case of the second organization, employees would be less motivated, feel less satisfaction at work, will not have a high degree of confidence in their superiors and the resource allocation would not be as effective. Also, we believe that budgets would not be as accurate as participatory budgets because the superiors will lack essential information, known only by subordinates. Thus, we believe that participatory budgets deserve to be used within any economic entity.

The Impact of Participatory Budgeting Process on Essential Factors Affecting the Activity

Participatory Budgets and Subordinate Performance

From a theoretical perspective, the use of participatory budgets leads to improved individual performance. But this hypothesis is not supported at an empirical level (Libby, 1999; Nouri and Kyj, 2008). The relationship between participatory budgets and performance, although it cannot be confirmed directly, can be achieved through other variables (Nouri and Parker, 1998; Nouri and Kyj, 2008). The connection may be achieved by:

- a) *The exchange of information* (Parker and Kyj, 2006) -employee participation in the budgeting process allows an efficient exchange of information between superiors and subordinates. This leads to the development of more reliable budgets, accepted by employees as fair and achievable, which determines individual performance improvement.
- b) *Role ambiguity*-participative budgeting helps to the clarification of the objectives and methods to be used in order to achieve them (Parker and Kyj, 2006; Chong et al., 2006). The participatory budgeting reduces role ambiguity and helps motivate employees, resulting in improved individual performance (Parker and Kyj, 2006; Chong et al., 2006).
- c) *Organizational commitment*-subordinate participation gives them a sense of control, confidence, allowing them to identify their goals with the objectives of the entity (Chong et al., 2006) and to clarify the role they have within the organization. This improves employee loyalty to the organization, which leads in return to improved individual performances (Parker and Kyj, 2006; Chong et al., 2006).
- d) *Hierarchical level and type of control*-the participatory budgeting process has a positive impact on performance if the participation takes place at higher levels of hierarchy, where work tasks are more complex and information sharing is important and necessary (Jermias and Setiawan, 2008). The positive relationship is stronger if there is a control based on results (Jermias and Setiawan, 2008).
- e) *Budgetary emphasis* (Jermias and Setiawan, 2008; Lau and Tan, 1998) -if subordinate performance is measured by budget execution, then they will work harder to achieve budgeted values. Participation in setting goals and budget values will determine subordinates to consider them as fair and achievable. This will lead to improved performance.
- f) *Task uncertainty* (Jermias and Setiawan, 2008; Lau and Tan, 1998) - participatory budgeting clarifies work tasks and the methods that should be used to achieve the objectives. Clear tasks lead to higher performance.
- g) *Budget adequacy and organizational commitment*- the use of a participatory budgeting process determines a budget considered by subordinates to be fair and appropriate, largely because they had a contribution or a notable influence on goal setting and on budget values. An adequate budget increases the individual performance directly and indirectly through organizational commitment (Nouri and Parker, 1998). Participatory budgets lead to organizational commitment, to the loyalty of subordinates toward the entity, which in return leads to improved individual performance (Nouri and Parker, 1998).
- h) *Cost management knowledge*- the relationship between participatory budgeting and performance is stronger when subordinates have stronger knowledge about cost and how to manage costs (Agbejule and Saarikoski, 2006).

- i) *Job satisfaction*-employee participation in the budgeting process provides a sense of accomplishment, satisfaction, control, involvement and participation. This way, the budgetary participation increases job satisfaction, which in return helps to improve subordinates performances (Chong et al., 2006).

The Relationship Between Participatory Budgeting and Job Tension

The involvement of subordinates in the budgeting process can reduce the stress associated with the job requirements. These can be achieved through mutual trust between subordinates and superiors and through the employee's perception over procedures as being fair and correct (Lau and Tan, 2006). In other words, a participatory budget causes employees to perceive the procedures adopted by the entity, procedures that allow them to be involved, as correct. Fairness of procedures reduces job tension. Employees feel less stress, they feel respected and treated properly (Lau and Tan, 2006). On the other hand, a participatory budgeting process, being a transparent one, increases the trust in superiors, leading to a reduced level of job tension (Lau and Tan, 2006).

The Relationship Between Participatory Budgeting and Organizational Commitment

If subordinates are given the opportunity to actively participate in setting the budget targets, whose achievement will be the basis of individual performance assessment, their commitment and effort to achieve the stated objectives will increase (Sholihin et al., 2011). This is due mostly to the fact that subordinates will perceive the procedures of goal setting and performance measurements as fair and to the fact that participation and procedures transparency enhance the trust of subordinates in their superiors (Sholihin et al., 2011).

The Relationship Between Participatory Budgeting and Motivation

The participation in setting goals and budget targets is important in order to

motivate employees. The objectives must be clear, achievable, should be based on reliable information and aim to motivate subordinates, not to control them (Reid, 2002). If these conditions are met, employees will be more motivated to work towards achieving the budgeted values. Also, motivating subordinates in return leads to high job satisfaction (Reid, 2002).

The Relationship Between Participatory Budgeting and Job Satisfaction

Although (from our knowledge) the existence of a direct link between participatory budgeting and job satisfaction (Yuen, 2006) is unclear, this connection can be made indirectly. Subordinate participation in the budgetary process allows the setting of clear task and goals, perceived by employees as fair. This way, participatory budgeting reduces tasks difficulty (Yuen, 2006). Participatory budgeting has a positive impact on task clarity because budgetary objectives are more clearly and easily understood by those who have to achieve them (Yuen, 2006). Task clarity and reduced task difficulty contribute in return to increased job satisfaction.

We believe that participatory budgets sustains a bidirectional exchange of information between subordinates and superiors, which reduces role ambiguity, clarifies tasks, reduces stress and job tensions, and allows the preparation of accurate and realistic budgets that employees feel they can achieve. Thus, the satisfaction felt by employees' increases, they become loyal to the organization, they gain confidence in their superiors, in the fairness of budgets and procedures and so, their performance will improve. We also believe that with improved individual performance the entity performance will increase.

Essential Elements in Designing an Efficient Participatory Budgeting System

From our point of view, the first and most important condition for an efficient participatory management is the

involvement and open attitude of superiors and subordinates. Managers should not be reluctant to grant autonomy, to share information or to involve subordinates in the decision making process (Jermias and Setiawan, 2008). Also, subordinates should participate by their one free will (Jermias and Setiawan, 2008).

We previously established that participatory budgeting implies the involvement of subordinates in the decision making process. The final decision, however, should belong to superiors, because subordinates will always ask for more and the entity's resources are limited (Libby, 1999). However, employee participation must be more than just a simple consultation (Reid, 2002). It should be real and not just a simple formality. Subordinates should have the opportunity to express their opinion (Magner et al., 1995; Parker and Kyj, 2006). Just the apparent power of subordinates to influence budgets, with no real impact, leads to demotivation (Libby, 1999). If subordinates' opinions or suggestions are not taken into account, their superiors should provide an explanation of the facts that led to this result (Libby, 1999). Studies showed that employees, who receive an explanation for their lack of influence over the final budget, have a higher performance being more motivated. There are hypotheses and assumptions stating that the positive effect of explanation on employee performance tends to decrease when subordinates cannot influence the final budgets over several budget periods, even if they are given explanations to justify this fact (Byrne and Damon, 2008). The same thing happens if subordinates are offered always the same explanation (Byrne and Damon, 2008).

Participation should involve a vertically communication from superior to subordinate- to reduce role ambiguity and from subordinates to superiors- to fundament loyalty towards the entity (Parker and Kyj, 2006). The transmission of information from subordinates to superiors is important because employees may have relevant information, known only to them, due to the fact that they have

better knowledge on the activities they carry out (Parker and Kyj, 2006). Superiors do not always know what employees need in performing their tasks. Information achieved by management through employee involvement in the budgeting process helps to ensure adequate budgets (Parker and Kyj, 2006).

In order to have a positive impact on performance, participation should be achieved at a high level of hierarchy (Jermias and Setiawan, 2008). At senior management levels, work tasks are more complex, more difficult and participation support the exchange of ideas and information, thus, leading to better performance (Jermias and Setiawan, 2008). If participation occurs only at lower levels of the hierarchy, it can affect performance in a negative way, because work tasks are standardized and repetitive (Jermias and Setiawan, 2008). Participation is not justified and can thus generate more chaos than advantages. The type of control used in the economic entity also affects the relationship between participatory budgeting and performance. This relationship is stronger if participation occurs at higher levels of hierarchy and the type of control is one that focuses on achieving objectives (Jermias and Setiawan, 2008).

Employee participation in developing performance measurement methods is also important (Groen et al., 2012). This will convince subordinates of the fairness of the evaluation process and will motivate them to improve their performance. When subordinates are evaluated based on the achievement of budgeted values, participatory budgeting becomes very important. It provides employees the insurance that the stated objectives are correct, feasible and reasonable (Lau and Tan, 1998). Even when budgets and their implementation are not taken into account in assessing the subordinates' performances, participation can be useful for complex work task. This is due to the fact that participation leads to more clear tasks (Lau and Tan, 1998). Also, for subordinates to develop a favorable attitude towards participatory process, it is

important that superiors provide them with feedback on the activities performed and performances obtained. Subordinates receiving feedback will have a more active participation, will be more motivated, and will experience a greater job satisfaction and less role ambiguity (Nouri and Kyj, 2008).

We must take into account the fact that culture itself is a factor that influences in a significant way the attitudes towards participatory budgeting. Two of the cultural dimensions are, in our view, important in order to analyze the participatory budgeting process: power distance between superiors and subordinates and collectivism. Participatory budgeting is more efficient when the power distance is lower and when individualism is less important than team work (Lau and Tan, 1998). The positive impact of participatory budgeting also depends on the personality of subordinates (Reid, 2002). Those who prefer to work by themselves, who do not have confidence in their abilities and are not very communicative, will not be motivated by such a participatory process. On the contrary, they will perceive it as a drudge.

From our point of view, an efficient participatory process should not just stop at employee's involvement. Participation should not be only internal, but as much as possible it should be external too. The activity of economic entities affects the entire community and people who are part of it (Corus and Ozanne, 2012). They can be seen as stakeholders and their views should be taken into account (Corus and Ozanne, 2012). The entity can benefit from the communication between the organization and the people in the community. It can attract people's respect, can gain competitive advantages, may better identify risks and can demonstrate more accountability (Corus and Ozanne, 2012). Obviously, people participation is different from employee participation. The entity does not talk about, nor negotiates budgets with the community. Discussions between entity and people relate strictly to the elements affecting both sides. But these

discussions are constructive and beneficial to the entity especially in the current context of sustainable development. They can influence the entity's objectives, future plans of action, costs incurred, etc.

Participatory process requires effort, communication and involvement (Hassan et al.2011) both from superiors and subordinates. It involves transparency, participation (Bland, 2011), and requires people to possess relevant knowledge. Sometimes participatory budgeting is not possible due to a low number of subordinates, their lack of experience or ability to make significant contributions (Jermias and Setiawan, 2008).

In order for budgetary participation to offer superior satisfaction for the subordinates it must grant those challenges, different tasks, allowing them to use and demonstrate their skills, abilities and knowledge (Yuen, 2006). The employees must have a clear understanding of their tasks and of the budgeting process through an actual participation that enables them to develop personal competencies (Yuen, 2006). They must have autonomy in performing their tasks because it increases the level of accountability and they must be given a feedback regarding their work and performance obtained (Yuen, 2006). They cannot feel any satisfaction if they do not get any feedback on what they have achieved (Yuen, 2006).

We believe that any entity, before adopting a participatory budgeting system, should conduct a study to examine not only the benefits that can be obtained by using participatory budgets compared with the efforts involved, but also the existence of an enabling environment for the implementation of such a system. We feel that in some cases participatory budgeting cannot be implemented in an efficient manner. Thus, the entity should analyze first the quality of the communication system. It is very important for it to work both ways: from the superior to subordinates and from subordinates to employees. Also, all the individuals involved must be open to such a

participatory system. Superiors must relinquish total control and allow subordinates to participate in decision making process. Employees must assume responsibility and they must be willing to communicate and disclose information. The management should also check if such a participatory budgeting system can be implemented at the highest hierarchical levels in order to be effective. We believe that the effectiveness of the participatory budget system is also based on the information received from subordinates. If they do not possess relevant information or knowledge, their participation won't have any positive impact. Also, in our opinion, mutual trust is a success factor in achieving a participatory budgeting process. Therefore, we support such a detailed analysis of the situation and characteristics within the entity and the adoption of any measures designed to improve them before the adoption and implementation of participatory budgets.

Conclusions

Budgets are essential management tools in conducting the activity. The advantages of their use can be maximized by using a participatory budgeting process. From our point of view, this participatory system also offers some disadvantages. Participatory budgeting requires a thorough bi-directional communication, mutual trust, commitment, time, effort and implies cost for the entity. Subordinates must be competent; they must possess relevant information and they have to assume more responsibility. Superiors must surrender total control and allow employees to get involved and influence the decision making process. Although participatory budgeting is not easy to implement, we believe the benefits of their use outweigh all disadvantages. The participatory budgeting process can improve the performance of subordinates and the overall performance of the entity. Participatory budgets allow the exchange of useful information between management and subordinates, allows an efficient allocation of resources, support the adoption of accurate and realistic budgets, motivate employees, clarify their

goals and objectives, increase the confidence in superiors, budgets and procedures, sustain organizational commitment, increases subordinates accountability and give them a sense of satisfaction, accomplishment and control.

Therefore, the design of an effective participatory budgeting is of particular importance. Management should take into account the fact that participation should be voluntary, with a two-way communication, and should allow subordinates to have a real influence in the decision making process. Also, the subordinate's lack of impact over the final budgets must be motivated. The participation must occur at higher levels of management and should motivate and make subordinates more accountable. From our point of view, before implementing a participatory budgeting system, the entities should conduct a study that will allow them to know the current situation within the organization and to see if it allows the adoption of such a participatory system. The entity must have an efficient bidirectional communication system, mutual trust between superiors and subordinates and their willingness to engage and use a participatory system. We also believe that participation is justified only if the subordinates can provide relevant information. Considering all these aspects of participatory budgets, we believe that the usefulness of participatory budgeting is incontestable.

Acknowledgements

I would like to thank Mrs. Oana Singleton for the English version corrections.

References

Agbejule, A. and Saarikoski, L. (2006), 'The effect of cost management Knowledge on the relationship between budget participation and managerial performance' [Online], *The British Accounting Review*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S089083890600076X>

- Akyel, N., KorkusuzPolat, T. and Arslankay, S. (2012), 'Strategic Planning in Institutions of Higher Education: A Case Study of Sakarya University' [Online], *Procedia - Social and Behavioral Sciences*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S1877042812044412>
- Bland, G. (2011), 'Supporting Post-conflict Democratic Development? External Promotion of Participatory Budgeting in El Salvador' [Online], *World Development*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0305750X100017>
- Boulding, C. and Wampler B. (2010), 'Voice, Votes, and Resources: Evaluating the Effect of Participatory Democracy on Well-being' [Online], *World Development*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0305750X09000953>
- Byrne, S. and Damon, F. (2008), 'To participate or not to participate? Voice and explanation effects on performance in a multi-period budget setting' [Online], *The British Accounting Review*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0890838908000383>
- Chong, V. K., Eggleton, I. R. C. and Leong, M. K. C. (2006), 'The multiple roles of participative budgeting on job performance' [Online], *Advances in Accounting*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0882611006220042>
- Corus, C. and Ozanne, J. L. (2012), 'Stakeholder engagement: Building participatory and deliberative spaces in subsistence markets' [Online], *Journal of Business Research*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S014829631200046X>
- Gomez, J., Rios Insua, D., Lavin, J.M. and Alfaro, C. (2013), 'On deciding how to decide: Designing participatory budget processes' [Online], *European Journal of Operational Research* (In Press, Corrected Proof), [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0377221713002683>
- Gonçalves, S.(2013), 'The Effects of Participatory Budgeting on Municipal Expenditures and Infant Mortality in Brazil' [Online], *World Development*(In Press, Corrected Proof), [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0305750X13000156>
- Groen, B.A.C., Wouters, M.J.F. and Wilderom, C.P.M. (2012), 'Why do employees take more initiatives to improve their performance after co-developing performance measures? A field study' [Online], *Management Accounting Research*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S1044500512000145>
- Hassan, G. F., El Hefnawi, A. and El Refaie, M. (2011), 'Efficiency of participation in planning' [Online], *Alexandria Engineering Journal*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S1110016811000445>
- Hoozée, S. and Bruggeman, W. (2010), 'Identifying operational improvements during the design process of a time-driven ABC system: The role of collective worker participation and leadership style' [Online], *Management Accounting Research*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S1044500510000120>
- Jermias, J. and Setiawan, T. (2008), 'The moderating effects of hierarchy and control systems on the relationship between budgetary participation and performance' [Online], *The International Journal of Accounting*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S0020706308000575>
- Kilfoyle, E. and Richardson, A. J. (2011), 'Agency and structure in budgeting: Thesis, antithesis and synthesis' [Online], *Critical Perspectives on Accounting*, [Retrieved April 09, 2013], <http://www.sciencedirect.com/science/article/pii/S1044500510000120>

2013],<http://www.sciencedirect.com/science/article/pii/S1045235410001310>

Lau, C. M. and Tan, S. L.C. (2006), 'The effects of procedural fairness and interpersonal trust on job tension in budgeting' [Online], *Management Accounting Research*, [Retrieved April 09, 2013],
<http://www.sciencedirect.com/science/article/pii/S1044500505000697>

Lau, C.M. and Tan, J.J. (1998), 'The impact of budget emphasis, participation and task difficulty on managerial performance: a cross-curricular study of the financial services sector' [Online], *Management Accounting Research*, [Retrieved April 09, 2013],<http://www.sciencedirect.com/science/article/pii/S1044500598900749>

Libby, T. (1999), 'The influence of voice and explanation on performance in a participative budgeting setting' [Online], *Accounting, Organizations and Society*, [Retrieved April 09, 2013],<http://www.sciencedirect.com/science/article/pii/S0361368298000439>

Magner, N., Welker, R. B. and Campbell, T. L. (1995), 'The interactive effect of budgetary participation and budget favorability on attitudes toward budgetary decision makers: A research note' [Online], *Accounting, Organizations and Society*, [Retrieved April 09, 2013],
<http://www.sciencedirect.com/science/article/pii/S036136829500006U>

Nouri, H. and Kyj, L. (2008), 'The effect of performance feedback on prior budgetary participative research using survey methodology: An empirical study' [Online], *Critical Perspectives on Accounting*, [Retrieved April 09, 2013],<http://www.sciencedirect.com/science/article/pii/S1045235407001360>

Nouri, H. and Parker, R.J. (1998), 'The relationship between budget participation and job performance: The roles of budget adequacy and organizational commitment' [Online], *Accounting, Organizations and Society*, [Retrieved April 09, 2013],
<http://www.sciencedirect.com/science/article/pii/S0361368297000366>

Parker, R.J. and Kyj, L. (2006), 'Vertical information sharing in the budgeting process' [Online], *Accounting, Organizations and Society*, [Retrieved April 09, 2013],
<http://www.sciencedirect.com/science/article/pii/S0361368204000686>

Reid, P. (2002), 'A critical evaluation of the effect of participation in budget target setting on motivation' [Online], *Managerial Auditing Journal*, [Retrieved April 09, 2013],
<http://www.emeraldinsight.com/products/ebookseries/collections.htm?id=3>

Sholihin, M., Pike, R., Mangena, M. and Li, J. (2011), 'Goal-setting participation and goal commitment: Examining the mediating roles of procedural fairness and interpersonal trust in a UK financial services organisation' [Online], *The British Accounting Review*, [Retrieved April 09, 2013],
<http://www.sciencedirect.com/science/article/pii/S0890838911000266>

Tsui, J.S.L. (2001), 'The impact of culture on the relationship between budgetary participation, management accounting systems, and managerial performance: An analysis of Chinese and Western managers' [Online], *The International Journal of Accounting*, [Retrieved April 09, 2013],
<http://www.sciencedirect.com/science/article/pii/S0020706301001017>

Yuen, D. (2006), 'The impact of a budgetary design system: direct and indirect model' [Online], *Managerial Auditing Journal*, [Retrieved April 09, 2013],
<http://www.emeraldinsight.com/products/ebookseries/collections.htm?id=3>