

BUDGETING SYSTEM STYLE OF USE,
ORGANISATIONAL CULTURE
AND
COMPETITIVE ADVANTAGE
IN
HYPERCOMPETITIVE ENVIRONMENTS

A thesis submitted for the degree of

Doctor of Philosophy

By

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CERTIFICATE OF AUTHORSHIP / ORIGINALITY

I certify that the work in this thesis has not previously been submitted for a degree, nor has it been submitted as part of the requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Matthew Peters

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ABSTRACT

Hypercompetitive environments have become more pervasive. This thesis addresses a gap in the literature by examining the effective use of budgeting systems and flexibility traits of organizational culture in hypercompetitive environments. Interactive use of budgeting systems has been positively linked to firm performance in ‘high uncertainty’ environments, but not hypercompetitive environments, which have greater intensity and unpredictability of change. Also, flexibility traits of organisational culture have been linked to firm performance in hypercompetitive settings, and to interactive use of management control systems in general.

Highly interactive budgeting systems have very frequent top management involvement driving intensive strategy reformulation. To examine the effective style of use of budgeting systems for hypercompetitive conditions, the frequency and intensity of interactive use were hypothesised to be two formative sub-dimensions of budgeting system style of use. Also, flexibility values of organisational culture were hypothesised as antecedent to these two interactive control sub-dimensions. The hypotheses predicted differing relationships between these constructs in hypercompetitive and moderately competitive environments.

A cross-sectional mail and web-based survey yielded 331 usable responses (a 31.1% response rate), with 32 firms in hypercompetitive environments, 259 firms in moderately competitive environments and 40 firms in stable environments. PLS structural equation modelling was used to test the theoretical model. Sub-group modelling based on the three categories of market competition was the main approach used to assess moderating effects.

Only partial support for the hypotheses was found. The predicted relationships between the two interactive control sub-dimensions were not supported, affirming the latent conceptualisation of interactive control in the extant literature. Market competition was found to positively moderate the effect of interactive budgeting system use on firm performance. It was also found that flexibility culture is an important antecedent of interactive budgeting systems use, and market competition positively moderates the effect of flexibility culture on interactive budgeting systems.

Dynamic capabilities theory was used to interpret the relationships, responding to appeals for a more action-oriented view of management control systems, and also providing a new perspective on management control systems and organisational learning. From the theory of dynamic capabilities, a strategically appropriate flexibility culture provides a valuable, rare, non-substitutable and inimitable resource-base, underlying an effective budgeting system capability with an isolating mechanism that confers competitive advantage. This study also contributes improved measurement scales for interactive control, and contributes empirical and theoretical insights to the under-researched organizational culture and management control systems contingency literature.