

IMPACT OF ZERO-BASED BUDGETING (ZBB) ON EMPLOYEE COMMITMENT

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Abstract

Zero-based budgeting is a methodology used in budgeting that aims at providing evidence for every expense done in an organization that ultimately affects the organizational performance through better decision making. Employee commitment can be enhanced through their participation in decision making and providing them opportunity for better understanding the whole procedure of the organization performance measurement. The based upon the data collected from two big cities of Pakistan, it was recognized that organizational performance can be enhanced by involving them in decision making of zero-based budgeting that will ultimately increase their commitment in the organization.

Keywords: Zero-Based Budgeting, Employee Commitment, Organizational Performance

1. INTRODUCTION:

Zero-Based Budgeting is a technique used in budgeting for planning and decision making. It basically starts that no cost should be included in the budget just because of the reason that it was a part of the previous budget. Every item, only if it properly justified, will be included in the budget. This will enable the company to plan in a better way for the future. ZBB is a technique for making efficient decisions which results in a way that making budgets and planning is not the sole responsibility of the budget officer and controller but it is shifted to other key members also. This is the reason that Zero-based budgeting can be more successful through active and full commitment of the upper level management along with the support of the key members in an organization.

1.2 Theoretical Background and Development of Hypothesis:

1.2.1 Zero-Based Budgeting:

The major benefit of Zero-Based Budgeting is that its main focus is on the actual resources that are required to achieve a desired level of output rather than increasing or decreasing in the past trends. This technique is more helpful for the operational managers to work in an efficient way. This technique creates a link between the finance and budget departments' executives in planning and actually making budgets (Allen Schick, 1978). Zero-based budgeting should be a part of any organizational culture training and proper marketing. When it remains restricted only to the upper tier or the organization and the lower level of the management is not allowed to participate in the planning and budgeting, it becomes very difficult for the organization to continue it after the exit of the upper tier from the organization and it will affect the commitment level of the rest of the employees. (N.M. Khandelwal, 2003)

In order to minimize the problems in the zero-based budgeting implementation in any organization, top level management should start ZBB from the very lower level of the organization. This will also enhance the commitment level of the employees gradually. (Mark J. Versel, 1976)

There are two distinguished characteristics of zero-base budgeting. Firstly, budgets are prepared separately in each organizational unit and secondly each unit's manager separately prioritizes these budgets at every level and each higher level manager then again prioritizes the budgets through the whole line of the employees who are responsible. That thing will ultimately effects the commitment level of the employees in the organization in a great way. (Peter H. Pyhrr, 1973). ZBB is a technique that can only be successful through discussions in the organizations rather than conducting empirical type research. (e.g. see Wildavsky and Hainmann, 1971; Pyhrr, 1977).

The real success of the Zero-based budgeting is its rotation through all level of the organization. (Andrew Fogarty and Augustus Turnbull, 1977). The literature available explains that there is a deficiency in proper theory to explain the users' experiences in planning. (Sherlekar and Dean, 1980). Past research is lacking behind to show a proper policy for the application of the Zero-based budgeting to avoid conflicting end results. (Wetherbe and Montanari, 1981).

1.2.2 Employee Commitment:

Many factors influence employee commitment. These include commitment to the manager, occupation, profession, or career (Meyer & Allen, 1997). Organizational commitment focuses on employees' commitment to the organization. In explaining the significance of organizational commitment, (Meyer & Allen, 1997) refer to Morrow & McElroy's (1993) statement that organizational commitment is the most maturely developed of all the work commitment constructs. (Meyer, J. & Allen, N., 1984)

Meyer & Allen (1991) developed a framework that was designed to measure three different types of organizational commitment: (a) Affective commitment refers to employees' emotional attachment, identification with, and involvement in the organization. Employees with a strong affective commitment stay with the organization because they want to. (b) Continuance commitment refers to employees' assessment of whether the costs of leaving the organization are greater than the costs of staying.

Employees who perceive that the costs of leaving the organization are greater than the costs of staying remain because they need to. (c) Normative commitment refers to employees' feelings of obligation to the organization. Employees with high levels of normative commitment stay with the organization because they feel they ought to.

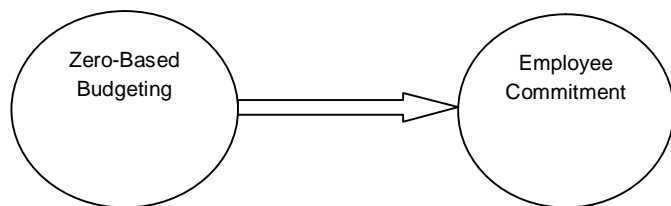


Fig 1: Effect of Zero-based budgeting on employee commitments

1.2.3 Hypothesis:

H0: Employee commitment can be enhanced due to true implementation of the zero-based budgeting.

H1: Employee commitment can never be enhanced due to zero-based budgeting

2. RESEARCH DESIGN:

2.1 Research objectives:

The objective of the research is to find that is there any relation between zero-based budgeting and employee commitment. Employee commitment can be dependent on many other things also such as empowerment, promotions, job security and organizational culture. The idea behind our research is to check out that zero-based budgeting can have any impact on the employee commitment.

2.2 The Purpose of Research:

It is exploratory research that can be applicable on any kind of organizations whether it is a public organization or it is a private organization. The idea can be beneficial to all those organizations that have budgeting process in their working that will ultimately leads to employee empowerment and at last leads to higher organizational performance.

2.3 Type of Investigation:

The study is a causal type of investigation. In our study we are basically trying to find the effect of zero-based budgeting on employee commitment in an organization. The researcher interference is minimal in that study. That also has a great impact on the accuracy of the results.

2.4 Study Setting:

The research was conducted in non-contrived study settings or in other words we can say that in a natural environment which shows the real situation of the results is real case.

2.5 Unit of Analysis:

The study was organized in Lahore and Islamabad region. The main focus was on the registered organizations. Questionnaires were filled from the individuals belonging to different public and private organizations.

2.6 Sampling Design:

Convenient sampling was used for data collection. Total 350 questionnaires were duly distributed and collected after completing from Lahore and Islamabad. Likert 5 point scale having two extreme ends.

2.7 Time Horizon:

It was a cross-sectional study; mainly the focus was on measuring the impact of zero-based budgeting on the employee commitment.

2.8 Data Collection:

Questionnaires are used to measure the zero-based budgeting's impact on the employee commitment. These questionnaires are then analyzed through SPSS software.

3. SAMPLING:

In this research, data is collected from public and private sector employees from Islamabad and Lahore region. The total 350 respondents were approached for data collection. Out of these 350 respondents, 342 were answered correctly and 8 questionnaires were discarded. So total sample size of our research was 342 employees in public and private organizations. Among 342 respondents 150 were men and 192 were women employees related to Human Resources, Information Technology, Audit & Accountancy and Technical Departments.

4. DATA ANALYSIS:

The data was collected through questionnaires are then entered in Statistical Package for Social Sciences (SPSS). Following tools were used for analysis:

4.1 Pearson Correlation:

The Pearson's correlation was applied. Following are the results of that:

		Correlations					
		EC	Z1	Z2	Z3	Z4	Z5
Pearson Correlation	EC	1.000	-.199	.500	.647	.708	-.240
	Z1	-.199	1.000	-.350	.153	-.313	.971
	Z2	.500	-.350	1.000	.015	.312	-.354
	Z3	.647	.153	.015	1.000	.000	.153
	Z4	.708	-.313	.312	.000	1.000	-.379
	Z5	-.240	.971	-.354	.153	-.379	1.000

Sig. (1-tailed)	EC	.	.000	.000	.000	.000	.000
	Z1	.000	.	.000	.002	.000	.000
	Z2	.000	.000	.	.389	.000	.000
	Z3	.000	.002	.389	.	.498	.002
	Z4	.000	.000	.000	.498	.	.000
	Z5	.000	.000	.000	.002	.000	.
N	EC	342	342	342	342	342	342
	Z1	342	342	342	342	342	342
	Z2	342	342	342	342	342	342
	Z3	342	342	342	342	342	342
	Z4	342	342	342	342	342	342
	Z5	342	342	342	342	342	342

Table: 1 Correlation

4.2 ANOVA:

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1194.260	5	238.852	3.547E16	.000 ^a
	Residual	.000	336	.000		
	Total	1194.260	341			

a. Predictors: (Constant), Z5, Z3, Z2, Z4, Z1

b. Dependent Variable: EC

Table 2: ANOVA

4.3 Coefficients:

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	8.557E-15	.000		.000	1.000
	Z1	2.389E-14	.000	.000	.000	1.000
	Z2	1.000	.000	.299	1.146E8	.000
	Z3	2.000	.000	.643	2.663E8	.000
	Z4	2.000	.000	.614	2.260E8	.000
	Z5	-3.036E-14	.000	.000	.000	1.000

a. Dependent Variable: EC

Table 3: Coefficients

4.4 Coefficient Correlation:

Coefficient Correlations

Model		Z5	Z3	Z2	Z4	Z1
1	Correlations					
	Z5	1.000	-.035	-.010	.325	-.966
	Z3	-.035	1.000	-.064	-.045	-.011
	Z2	-.010	-.064	1.000	-.216	.084
	Z4	.325	-.045	-.216	1.000	-.258
	Z1	-.966	-.011	.084	-.258	1.000
	Covariances					
	Z5	8.635E-16	-7.714E-18	-2.644E-18	8.450E-17	-8.348E-16
	Z3	-7.714E-18	5.640E-17	-4.206E-18	-2.983E-18	-2.359E-18
	Z2	-2.644E-18	-4.206E-18	7.608E-17	-1.664E-17	2.144E-17
	Z4	8.450E-17	-2.983E-18	-1.664E-17	7.828E-17	-6.702E-17
	Z1	-8.348E-16	-2.359E-18	2.144E-17	-6.702E-17	8.643E-16

a. Dependent Variable: EC

Table 4: Coefficient of Correlation

5. CONCLUSION:

In the table the effect of Zero-Based Budgeting on Employee commitment is checked. The table shows that there is a moderate level interdependence between Zero-Based Budgeting and Employee Commitment. There is moderate level of interdependence between zero-based budgeting and employee commitment. Here, F-value is 3.547 which is greater than zero or we can say that it is non-zero. Thus zero based budgeting has moderate effect on employee commitment in an organization. So we will reject alternate hypothesis and accept null hypothesis.

6. LIMITATION OF THE RESEARCH:

In this research we have questionnaires for our data collection and only the impact of zero-based budgeting on employee commitment was judged. Further study can also be done on the other factors that may have direct or indirect impact on employee commitment. We used cross sectional method in this research which means that research will conduct once a time. But we can also use Longitudinal Method for the better results by making comparison of previous research with the current research. It will more helpful for the researcher and the organizations to take better decisions for achievements of the strategic goals.

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