



BUDGET COMMUNICATION AND JOB SATISFACTION AMONG LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

In a business organisation, it is important that all information relevant to the job is effectively communicated to managers and other employees. If the relevant information is not exchanged properly within the organisation, it can impact negatively on the employee-job satisfaction. The study examines how job satisfaction is influenced by budget communication among manufacturing firms listed on Nigeria Stock Exchange. The population of the study consisted of 40 listed manufacturing companies in Lagos state. However, from the target population, a sample size of 185 respondents was determined through Taro Yamane sample size determination formulae used for the study. The data for the study were gathered through structured questionnaires, and analyzed using regression analysis. Empirical findings revealed that budget communication has significant and direct influence on job satisfaction among the sampled firms. It is concluded that the use of budget as a medium for communicating job related information to line managers and other key personnel makes employees happy about their jobs. It is therefore recommended that business organizations should design their budgets in such a way that would allow information about business plans and strategies to be effectively communicated to the operational managers and other important staff members.

Key words: Budgeting, Communication, Job Satisfaction

INTRODUCTION

Communication is an important factor in every business setting. It is communication that makes every business organisation to live, without it, business cannot progress and survive. Communication in an organisation is a process whereby a message is coded and sent by one party or from one point to another, and upon receipt of the message, the recipient will decode and use the message to execute a job or an assignment. In organisation, management can use budget as a communication device to pass across certain information to individuals and units within the organization (Caroline, 2014). For instance budget can be used by management to inform employees of the vision and mission of the organization. It can also be used to instruct employees about their jobs, that is, the nature of their jobs, how the jobs are expected to be done and when the jobs are expected to be carried out. Management also use budget to communicate plans and



strategies intended to achieve those plans, to the employees. Communication in an organisation can take different dimensions, depending on what is intended to be achieved (Drury, 2001). For instance, it can be vertical. This top management level use budget to communicate certain information to the lower management level. It can also be horizontal, mostly when one department communicates to another department within the same organization through budget. For example, sales department can use its budget to inform production department of sales projection for a particular period, to assist production department in planning for its own activities over the same period.

Meanwhile, job satisfaction has to do with the amount of happiness and joy that an employee derives from his job or career at a point in time. It can also be interpreted to mean how well an employee is comfortable with all the situations and circumstances surrounding his/her job over time. From another perspective, job satisfaction is an issue that borders on the level of contentment that an employee gets from the conditions of his or her work. Different levels of satisfaction lead to different goals and behaviors that result from different types of motivation to receive different types of rewards (Luthans, Avolio, Walumbwa, & Li, 2005). The result of the reward is to provide employees with job satisfaction (Milne, 2007). Amabile, Hill, Hennessey, and Tighe (1994) argue that workers are motivated by pay with a high level of job satisfaction. In addition, Zaini and Nilufar (2009) and Chew (2005) argue that job satisfaction is related to monetary compensation and that non-monetary compensation is one of the most important factors explaining their relationship (Furham, Eracleous, & Premusiz, 2009).

However, inadequate communication of budget in business organisations is a factor that can demoralise employees and make them feel dissatisfied about their jobs. Budgets in many organisations have a small amount of information, which makes it difficult for employees to clearly understand the direction of the budget, resulting to employee job dissatisfaction. Consequently, this may have a negative impact on productivity (Ali, Hassan, & Mohammad, 2014). Besides, in many companies, senior management simply prepare budgets and transfer them to the lower management, but fail to provide supporting information for the successful execution of the budget (Ali, Hassan, & Mohammad, 2014). It is premised on this background that this study made an attempt to examine how the use of budgeting for communication purpose affects employee job satisfaction among manufacturing firms listed on the Nigerian Stock Exchange. In order to achieve this objective, the hypothesis below was formulated and tested.

H01: There is no significant relationship between budget communication in publicly listed manufacturing companies in Nigeria and employee's job satisfaction.

LITERATURE REVIEW

Conceptual Review

Budget Communication

Clearly, budget is an important channel for transmitting certain types of information, and administrators in different parts of the organization have enough information about the plans,



policies and restrictions that the organisation must comply with. Through the budgeting process, senior management communicates expectations to lower level management so that members can understand these expectations and can coordinate and achieve their activities (Drury, 2001). In essence, the preparation of a budget facilitates the transfer of critical information between all levels of the organization and, therefore, provides a higher level of interaction during the budget process.

Moreover, communication processes play an important role in improving organisational performance. Business information gives life to the organisation and blood to the human body. A well-designed and well-designed communication strategy is essential for successful organisational change and improvement. In addition, communication strategies determine the scope of improvement efforts. The organisational objectives are related to effective communication practices. A well-adjusted strategy is likely to improve corporate performance. Communication strategies determine the effort required to change and improve an organisation. Effective communication allows people to focus more on the objectives of the organisation and comment on progress. Effective communication methods have a direct impact on organisational growth and development (Caroline, 2014).

Job Satisfaction

Job satisfaction can be interpreted to mean how well an employee is comfortable with all the situations and circumstances surrounding his/her job over time. From another perspective, job satisfaction is an issue that borders on the level of contentment that employee gets from the conditions of his or her work. The working conditions in every organisation can be viewed in terms of the nature of the employee's job, the remuneration packages and possibility of opportunity for career growth and development in the working environment (Ali & Ahmed, 2009). Reference to the nature of job, it is expected for individual rational employee to be more satisfied with his job, if the employee has everything it takes within his capacity, in terms of experience, knowledge and skills, to carry out the job with expedience without any struggle or difficulty to do so. Moreover, if employee feels that his pay in the present employment is good, compared to what is obtainable in other places within the same industry, there is a tendency for such employee to have more satisfaction in that engagement (Furham, Eracleous, & Premusiz, 2009). It is noteworthy that when chances are opened to an employee to grow and build his career in his present place of work, the employee is more likely to have comfort and be satisfied with that job.

Theoretical Review

Theory of Management

According to Raymond's (2018) theory of management was propounded in 1900 by Henri Fayol. The feeling of the theorist that it is of great importance for managers to have a line of principles that will serve as a guide to them in performing their traditional management functions informed the development of the first version of management theory. Management theory viewed communication as a necessary ingredient for successful management, which improves the effectiveness of an organisation (Raymond, 2018). The philosophy of the theory is that the more



operational managers and other employees participate in the budget process, the more effective communication is and the better the senior management would be informed in budget formulation, and the higher the performance achieved (Raymond, 2018). Fayol proposed that without effective communication of organisational goals and other important information to line managers and the subordinates, it may be difficult for productivity and performance to increase (Raymond, 2018). The communication role of budgeting is two sided. On one side, budgeting informs line managers and their subordinates of the level of performance expected from them by the senior managers. On the other side, budgeting process gives feedback on the extent to which set goals and targets are met. The theory states that the greater the extent to which operational managers and other employees take part in budgetary process, the more effective communication is achieved and the more the top level managers are better informed during budget formulation, the greater the productivity achieved (Raymond, 2018).

With all the importance attributed to the theory of management, its operation is restricted to certain conditions. For example, Fayol developed and built the theory from his own personal knowledge and experience in manufacturing industries and where the working conditions are steady, with little or no change, and where production process was labour intensive. So, taking a look at today's business environment, where competition is very high, and business processes are highly automated, it may be difficult to generalise the theory (Tompkins, 2005). The theory is also deficient, because it focuses majorly on the use of rules and regulations in the organization to control workers' behaviours and to achieve organisational goals, without taking into account, the personal creativity of individual workers which may positively influence employees' productivity and business performance.

Empirical Review

Hsu (2002) investigated the link between communication, satisfaction and organisational commitment of employees. The study used a sample of 195 respondents from six restaurants and two selected hotels in a major midwestern town. The researcher used questionnaires for data collection, while the data collected were subjected to a correlation analysis to establish the relationship between the variables in the study. The results indicated that overall satisfaction with the communication was directly related to the employee's organisational commitment. This shows that the job satisfaction and organisational commitment of 48 employees were more affected by satisfaction with communication. Interestingly, communication satisfaction and the intention to remain silent were found to be negatively correlated. In the meantime, the researcher was unable to establish the relationship between organisational commitment and intention to remain silent. It was concluded that the organizational commitment was developed through communication, regardless of the employees' background.

Hansen and Van der Stede (2004) conducted a multi-faceted study of the US budget: an exploratory analysis. The purpose of the research was to examine the relationship between different budget roles and organisational performances. They adopted a survey method with the use of questionnaires to obtain the primary data for the study. The data collected were analysed



using descriptive statistics, regression analysis and correlation. The results revealed that the performance of operational planning, performance appraisal, goal communication and strategy formation budgets is positively associated with greater overall satisfaction with the overall budget system. However, only performance for three of the reasons for budgeting (operational planning, performance evaluation, and strategy definition) affects the performance of the organisational unit.

In Turkey, Gülnar (2007) examined how communication satisfaction affects employees' job satisfaction. A standard questionnaire that covered the scope of the study was adopted, and copies of the instrument were given to one hundred and sixty three (163) respondents picked from the studied population. Findings on correlation analysis reflected that business harmonization and quality of publicity which are features of communication are the highest certifying features for communication satisfaction, while personal attitude and the communication atmosphere are the least attested features for communication satisfaction. Finally, It was reflected that employees job satisfaction and communication are highly related.

Osundina (2012) examined the relationship between budget processes and the organizational performance of food and beverage manufacturing companies. The data were collected through a survey of 99 randomly selected managers in Lagos state, Nigeria. The product moment correlation coefficient and the Pearson multiple regression analysis were used for data analysis. It was found that there was a significant relationship between planning, communication, implementation, control and performance indicators, while there was no significant relationship between participation and performance indicators. In addition, the results of the regression analysis showed that the budgeting process had a significant impact on dividend per share and net asset per share and not a significant impact on earnings per share and return on investment.

Lovlyn (2016) studied the relationship between effective communication and strategic management of organizations in Nigeria. The survey and the design of the descriptive research were used. The data collected through questionnaires were analyzed using Pearson's correlation. Empirical results have shown that effective communication has a significant and positive impact on organizational performance, although this depends on the method of communication, the effectiveness and appropriateness of the chosen medium, and the accessibility of subordinates to superiors.

In Bangladesh, Nabi *et al.* (2017) investigated how business communication affects job performance and employees' satisfaction using one famous bank as a case study. The survey was carried out with questionnaire as data collection instrument, meanwhile, the data obtained were analyzed through graphs and percentages. Findings on statistical analysis reflected that good business communication has direct and strong influence on job performance and employees' satisfaction. Budget can be used by management to inform employees of the vision and mission of the organization. It can also be used to instruct employees about their jobs, that is, the nature of their jobs, how the jobs are expected to be done and when the jobs are expected to be carried out. The management also used budget to communicate plans and strategies intended to achieve those plans, to the employees.



Jóhannes (2018) established the relationship between communication features and job satisfaction and employees' choice for new communication strategies in Reykjavik, Iceland. One hundred and twenty seven staff members of amusement centers in the studied location were selected. Results of regression statistics reflected that a strong association exists between job satisfaction and job clarity, process equity, interactive fairness, work conflicts, leadership for empowerment, leadership with equity, aids for work team members and aids for senior officers. Statistical evidence also reflected that staff members have strong passion for new communication strategies.

METHODOLOGY

Research Design, Study Population and Sampling

The researchers used a survey research design for the purpose of this study. The study population was 200 in number consisting of production managers, marketing managers, accountants, auditors and store managers of all listed manufacturing companies located in Lagos state, as at December, 2018. These people were purposefully selected for the study based on the belief of the researcher that they are expected to be more involved in budgeting, due to the position they occupy in the organizations. From this population, a sample size of 185 respondents was determined through Taro Yamani formulae, and a few others randomly selected for the study.

Data Collection Method and Instrument Validation and Reliability

In order to collect the primary data required for the study, the researchers used a structured questionnaire which was designed on five point Likert scale. In order to gain assurance about the reliability and validity of the instrument, the questionnaire was sent to two people in academics and two people in practice with versatile knowledge of manufacturing budgeting for proper checking of the contents and the scope of the instrument. Their comments and suggestions were used to modify the instrument before copies of the instrument were administered in the field. In addition, Cronbach alpha coefficients were determined for the study variables to gain more assurance about the reliability of the instruments. Meanwhile, out of the one hundred and eighty five copies of the questionnaires distributed, fourteen copies were not returned, while seven copies out of the one hundred and seventy one received were not properly completed and therefore, excluded from the analysis.

Measurement of Variables and Model Specification

To achieve the main objective of the study, the independent variable, budget communication, was measured with modified items from Hansen and Van der Stede (2004); and Mirity (2013). Whereas, the dependent variable, financial performance was measured using items adapted from Hansen and Van der Stede (2004), after due modification. Moreover, the researchers adopted the model used by Qi (2010), to establish the relationship between the two variables of the study.

The adapted model is as specified below.

$$JS = \beta_0 + \beta_1 CM + \mu$$



Where: JS= job satisfaction; CM=budget communication; β_0 =constant; β_1 =coefficient of independent variable; μ =error term.

RESULTS AND DISCUSSIONS

Table 4.1 showed the descriptive statistics of the study variables. The mean of budget communication was 4.11 with the standard deviation of approximately 1.14. This indicates that most of the respondents agreed that the use of budget to communicate organizational goals and job related information to employees is given emphasis in their organizations. For job satisfaction, the average score was 4.07 with a corresponding standard deviation of 1.10. These results imply that majority of the respondents agreed that they are satisfied with their jobs.

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Budget Communication	164	1.00	5.00	4.1098	1.13512
Job Satisfaction	164	1.00	5.00	4.0671	1.10287
Valid N (listwise)	164				

Author’s computation, (2020)

Before the major statistical analyses were conducted to establish the relationship between the use of budget for communication and job satisfaction, normality test was carried out on the variables of the study including Skewness and Kurtosis. The essence of the two tests was to ensure that the data collected for the study are normally distributed. As shown in table 4.2, the values of skewness for budget communication and job satisfaction are -1.416 and -1.384 respectively, which are within the acceptable range suggested by Kline (1998). Therefore, the data used for the study were distributed properly to some extent.

Table 4.2 Normality Test

	Skewness		Kurtosis	
		Std. Error		Std. Error
Budget Communication	-1.416	.190	1.158	.377
Job Satisfaction	-1.384	.190	1.271	.377

Author’s computation, (2020)

However, to gain assurance about the internal consistence of the items used to measure the study constructs that are contained in the research instrument, the researchers employed the Cronbach's alpha statistics. The results of the test as depicted in table 4.3 indicate that the value of Cronbach's Alpha for the use of budget for communication is 0.892 and it is 0.703 for job satisfaction.



According to the recommendation of Cheok *et al.* (1989), the research instrument is reliable to greater extent because the two values are within the suggested range.

Table 4.3 Reliability Test

ITEMS	Number of items	Cronbach's Alpha
Budget Communication	5	0.892
Employee Job Satisfaction	5	0.703

Author's computation, (2020)

The following tables show the results of the regression analysis. Findings on table 4.4 reveal that the R Square of the statistical model adopted and used for the study is 0.124. This shows that 12.4% of variation in job satisfaction is explained by the use of budget for communication, while the remaining 87.6% could be due to factors outside the model.

Table 4.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.352 ^a	.124	.118	1.03555

a. Predictors: (Constant), Budget Communication

The F- statistics of the model is 22.885, as depicted in table 4.5 and it is significant at $p < 0.05$. This is an indication that the model is a good one, as it well predicts the relationship between job satisfaction and budget communication.

Table 4.5 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.541	1	24.541	22.885	.000 ^b
	Residual	173.721	162	1.072		
	Total	198.262	163			

a. Dependent Variable: Job Satisfaction

b. Predictors: (Constant), Budget Communication

The standardized coefficient is 0.352 for budget communication as reflected in table 4.6, and it is significant at $p < 0.05$. This means that 1% change in budget communication is expected to bring 35.2% change in job satisfaction. This thus implies that the influence of the use of budget for communication on job satisfaction is strong and direct.

Table 4.6 Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
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	B	Std. Error	Beta		
(Constant)	2.662	.305		8.740	.000
1 Budget Communication	.342	.071	.352	4.784	.000

a. Dependent Variable: Job Satisfaction

CONCLUSION AND RECOMMENDATION

The study examined how the use of budget in corporate organizations to communicate organizational goals, job related information and other relevant information to operational managers and their subordinates affects job satisfaction among employees. Statistical findings reveal that budget communication positively and significantly influences employees' job satisfaction among the sampled business organizations. This implies that it is very important for top management in every organization to ensure that organizational goals are clearly defined and properly communicated to those who have responsibility for the implementation of the goals through budgeting. The research finding is aligned with the results of most of the previous studies which also found positive and significant relationship between communication and job satisfaction, such as Gülnar (2007); Nabi *et al.* (2017); and Jóhannes (2018). The result of the study is also consistent with the prediction of management theory which hypothesized that effective communication leads to employees' job satisfaction.

The study recommends that management must make sure that sufficient information is provided in budget on how the job of individuals in the organization will be performed. Besides, they must ensure that budget is optimally and fairly used in allocating resources to individual units in the organization. When all these are done, it is expected that employees will be more satisfied with their jobs, and as a result, they will be motivated to be committed to the organizations.

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