

A Conceptual Framework for Budgetary Participation and Innovation Performance: Mediating Mechanisms from a Social Cognitive Perspective

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Abstract

Innovation performance has emerged as a key driver of organizational competitiveness in a dynamic and uncertain environment. Although previous research has extensively examined budget participation as a control mechanism, attention to the cognitive and behavioral mechanisms underlying its effects on innovation performance remains relatively limited. Based on Social Cognitive Theory, this study develops a conceptual framework that explains how budgetary participation affects innovation performance through a series of mediation mechanisms rooted in individual cognition and behavior. The framework integrates key personal antecedents, such as self-efficacy and locus of control, with environmental antecedents, including task uncertainty and information technology for enhanced communication, to explain their impact on participatory budgeting practices and subsequent innovation outcomes. By emphasizing the reciprocal interactions among personal factors, environmental conditions, and behavioral processes, this article enriches the literature by repositioning budgetary participation as a socially embedded and cognitively driven process rather than merely a procedural practice. The proposed conceptual framework makes a theoretical contribution to management accounting research and innovation and serves as a foundation for future empirical research examining budgeting systems that drive innovation.

Keywords: Budgetary Participation, Innovation Performance, Social Cognitive Theory, Conceptual Framework

Introduction

In recent decades, innovation performance has become a central issue in management and organizational discourse, particularly amid an increasingly dynamic, uncertain, and complex business environment. The development of digital technology, business model disruptions, globalization pressures, and changing market preferences have encouraged organizations to rely less on efficiency-based competitive advantages and more on the ability to innovate sustainably (Cillo & Verona, 2022). In this context, innovation is not only the development of

new products but also encompasses process, managerial, and organizational innovation that enable companies to adapt and survive in conditions of uncertainty (Crossan & Apaydin, 2010; Guerrero et al., 2023).

Contemporary literature shows that innovation performance is increasingly influenced by internal organizational factors, specifically the systems, practices, and mechanisms that shape individual and group behavior (Ritala et al., 2021). One internal mechanism that continues to play an important role is the management control system. Although often perceived as tools oriented towards stability and control, management control systems also have strategic potential to encourage learning, adaptability, and innovation when designed and used appropriately (Bedford, 2020).

Budgeting is one of the most fundamental elements in a management control system. Traditionally, budgeting has been positioned as a planning and control tool for setting performance targets, allocating resources, and evaluating organizational performance (Merchant & Van der Stede, 2007). However, in an increasingly unstable business environment, traditional top-down, rigid, and short-term budgeting approaches are increasingly being questioned for their relevance (Strauss & Zecher, 2013). A significant criticism of conventional budgeting is its tendency to limit flexibility, inhibit learning, and suppress innovative behaviors due to excessive focus on meeting numerical targets (Kruis et al., 2016).

In response to these limitations, academic and practical attention began to shift toward a more participatory approach to budgeting. Budget participation refers to the level of involvement of individuals, particularly managers and employees, in the budget preparation and setting process (Brownell, 1981). This approach is believed to improve the quality of information, strengthen commitment to goals, and foster a sense of ownership of organizational decisions (Shields & Shields, 1998). Classical and contemporary research shows that budget participation is associated with a range of positive outcomes, including job satisfaction, role clarity, managerial performance, and organizational commitment (Dorfuss, 2016).

Although the behavioral benefits of budget participation have been widely studied, their implications for innovation performance remain unclear. On the one hand, budget participation has the potential to create spaces for dialogue, exchange of ideas, and cross-functional learning that supports innovation (Chenhall et al., 2013). On the other hand, although the budgeting process is participatory, it can still reinforce target pressure, risk aversion, and short-term orientation, thereby inhibiting experimental behavior (Amabile, 1988; Abernethy & Brownell, 1999). This tension between control functions and innovation drives makes the relationship between budget participation and innovation performance complex and nonlinear.

The latest empirical literature reflects this ambiguity. Several studies show that participatory budgeting contributes positively to innovation when combined with an organizational climate that supports empowering learning and leadership (Liu et al., 2010). However, other studies have found that without adequate contextual support, budget participation tends to be symbolic and does not produce a significant impact on innovation (Dorfuss, 2016). These

conflicting findings indicate that budget participation is not a direct determinant of innovation performance, but instead works through specific mechanisms that need to be explained theoretically. One of the main limitations in previous research is the dominance of structural and procedural approaches in explaining the influence of budgeting on performance. Many studies have focused on the design of systems and forms of participation while ignoring the individual cognitive processes and behaviors involved (Covaleski et al., 2006). In fact, innovation results from specific cognitive processes, such as perception, belief, motivation, and learning, which are then manifested in certain work behaviors. The microfoundations-based approach in management accounting research further emphasizes the importance of understanding how control systems affect individuals at the cognitive and behavioral levels (Naranjo-Gil, 2009). However, efforts to integrate personal, environmental, and behavioral factors into a coherent conceptual framework are still relatively limited, particularly in the context of budget participation and innovation. As a result, the current literature does not provide an adequate explanation of the mechanisms that mediate between participatory budgeting practices and innovation performance.

Social Cognitive Theory (Bandura, 1986, 1999) emphasizes the principle of reciprocal determinism, which holds that the mutual interaction between personal factors and environmental conditions shapes individual behavior. In an organizational context, personal factors such as self-efficacy and locus of control influence an individual's confidence in their ability to control work outcomes and actively participate in managerial practices. Meanwhile, environmental conditions such as task uncertainty and the use of information technology for enhanced communication provide a context in which these beliefs manifest in work behavior. Thus, through the lens of Social Cognitive Theory, the influence of participatory budgeting practices on performance can be understood as the result of the interaction between personal beliefs and environmental conditions that facilitate or limit individual behavior (Schunk & DiBenedetto, 2020).

The application of Social Cognitive Theory in innovation studies shows that individuals with high levels of self-efficacy and adequate environmental support tend to be more proactive, creative, and willing to take risks (Škerlavaj et al., 2023). In the context of budgeting, participation can serve as an environmental stimulus that influences outcome expectations, self-regulation, and individual learning orientation. Thus, participatory budgeting plays a role not only as a structural mechanism but also as a social process that shapes innovative cognition and behavior. Although the relevance of Social Cognitive Theory is increasingly recognized in the organizational literature, its application in management accounting research, particularly in studies linking budget participation and innovation performance, remains partial and fragmented (Harris & Durden, 2012). Most research still focuses on linear relationships between variables, thereby failing to fully capture the reciprocal interactions and mediation mechanisms emphasized in social cognitive approaches. This condition creates a significant theoretical gap in the literature.

Based on this description, there is an urgent need to develop a conceptual framework that explains how budget participation affects innovation performance through integrated cognitive and behavioral mechanisms, while accounting for the simultaneous roles of personal and environmental factors. This article responds to this need by proposing a

conceptual framework grounded in Social Cognitive Theory that positions budget participation as a cognitively driven, socially embedded process.

Specifically, this article aims to: (1) synthesize the literature on participatory budgeting, innovation, and Social Cognitive Theory; (2) identify relevant personal and environmental antecedents in the context of participatory budgeting; and (3) explain the cognitive and behavioral mediation mechanisms that link budget participation to innovation performance. Thus, this article makes a theoretical contribution by broadening the understanding of the role of management control systems in driving innovation, while providing a conceptual basis for future empirical research.

In addition to the theoretical contributions, the proposed conceptual framework also has important practical implications. For practitioners, understanding the cognitive and behavioral mechanisms underlying participatory budgeting can help in designing budgeting systems that are not only effective as a control tool but also capable of supporting creativity, learning, and innovation. Thus, this article seeks to bridge the gap between the demands of control and the need for innovation in contemporary organizations.

Literature Review and Theoretical Foundation

Budgetary Participation and Innovation Performance

The relationship between budgetary participation and innovation performance has long been a concern in the accounting literature, management, and organizational behavior. Budget participation is generally seen as a mechanism that allows individuals to be involved in the process of setting targets and allocating resources, thereby improving the quality of information, commitment to goals, and acceptance of the management control system (Shields & Shields, 1998). In the context of innovation, budget participation is assumed to create space for the exchange of ideas, organizational learning, and the exploration of alternatives necessary to achieve sustainable innovation performance (Chenhall & Moers, 2015).

Several studies show that budgetary participation can positively impact various forms of innovation performance, including individual creativity, new product development, and work process improvement. Through involvement in budgeting, individuals can convey specific operational information, propose new ideas, and develop a sense of belonging to the organization's goals, which ultimately supports innovative behaviors (Bedford, Bisbe, & Sweeney, 2019). Recent studies also confirm that participatory control systems are better aligned with the needs of organizations operating in dynamic, innovation-oriented environments (Strauss & Zecher, 2013).

However, empirical findings on the relationship between budget participation and innovation performance remain mixed. Some studies report insignificant or even negative relationships, especially when budgeting systems are rigidly designed to emphasize adherence to short-term financial targets and limit decision-making flexibility (Bedford, 2020). Under these conditions, budget participation can reinforce defensive behaviors and risk aversion, hindering the exploration of new ideas and experimental learning that are essential to innovation.

The inconsistency of these findings indicates the limitations of the research approach that views budgetary participation as a purely structural or procedural practice. Many previous studies have tended to examine the direct relationship between budget participation and performance without delving into the internal mechanisms that explain how such participation translates into innovative behaviors (Shields & Shields, 1998; Otley, 2016). As a result, understanding the cognitive processes and individual behaviors that bridge the relationship between budget participation and innovation performance remains relatively limited. In addition, the organizational context also plays an essential role in shaping the effectiveness of budget participation. Factors such as task uncertainty, job complexity, and information technology support influence how individuals interpret participation, whether as an opportunity to contribute creatively or simply as an additional administrative demand (Chenhall & Moers, 2015; Appelbaum et al., 2020). Recent research also emphasizes that digitalization and communication technologies strengthen the role of participation in fostering knowledge exchange and cross-functional collaboration that is relevant to innovation (Quattrone, 2016; Moll & Yigitbasioglu, 2019).

Based on the synthesis of the literature, it is increasingly clear that the relationship between budgetary participation and innovation performance is conditional and depends on the cognitive mechanisms and the accompanying environmental context. Recent literature encourages the need for a more integrative theoretical approach to explain the interactions between personal factors, environmental conditions, and participatory behavior in budgeting systems. Therefore, this conceptual research proposes a framework based on Social Cognitive Theory to explain how budget participation functions as a social and cognitive process that shapes innovation performance outcomes, going beyond the linear, procedural views that have dominated previous research.

Theoretical Foundation: Social Cognitive Theory

This research is based on the Social Cognitive Theory (SCT) developed by Bandura (1986, 1999) as the main theoretical framework to explain the relationship between budgetary participation and innovation performance. SCT offers a comprehensive perspective on individual behavior in an organization by emphasizing that human actions are not solely determined by formal structures or incentives, but by dynamic interactions among personal factors, environmental conditions, and behavior itself.

The main principle in SCT is reciprocal determinism, which holds that individual behavior results from mutual interaction among personal cognition, the external environment, and actions (Bandura, 1986). In contrast to traditional deterministic approaches, SCT views the individual as an active agent capable of reflecting, organizing, and influencing their environment. In the context of the organization, this principle emphasizes that the individual's response to the managerial system, including budgeting, is not passive but is influenced by self-confidence, a control orientation, and perceptions of working conditions. SCT also emphasizes the role of cognitive processes, such as goal formation, self-evaluation, and social learning, in shaping work behavior. These processes become crucial when individuals face complex, unstructured performance demands, such as innovation activities that require exploration, creativity, and tolerance for uncertainty (Bandura, 1999; Schunk & DiBenedetto, 2020).

In SCT, personal factors refer to an individual's internal beliefs and orientations that shape how they interpret situations and take action. Two personal factors that are highly relevant to this study are self-efficacy and locus of control. Self-efficacy reflects an individual's confidence in their ability to perform the actions necessary to achieve a particular outcome (Bandura, 1999). Individuals with high levels of self-efficacy tend to be more confident in facing challenges, more persistent in completing tasks, and more open to experimental and innovative activities.

Meanwhile, the locus of control describes the extent to which individuals believe that the outcomes of their work are determined by personal effort and decisions (internal locus of control) or by external factors beyond their control (Rotter, 1966). Within the SCT framework, locus of control shapes outcome expectations and individuals' motivation to engage in organizational processes actively. Recent research shows that individuals with an internal locus of control are more likely to use participatory opportunities to influence work outcomes and enhance innovative performance (Ng et al., 2006; Newman et al., 2021).

In addition to personal factors, SCT considers environmental conditions key factors that shape individual behavior. The organizational environment provides not only structural constraints but also social and cognitive signals that influence how individuals interpret their roles and responsibilities. In this study, environmental conditions are focused on task uncertainty and information technology for enhanced communication.

Task uncertainty refers to the level of uncertainty about the objectives, methods, and results of the work. In situations with high task uncertainty, individuals need flexibility, information exchange, and greater discretion to work effectively. SCT views this uncertainty as a context that can reinforce the role of personal factors, in which self-confidence and a control orientation become increasingly decisive in shaping work behavior (Chenhall, 2003; Bedford, 2020). On the other hand, advances in information technology have changed the way individuals interact and collaborate within organizations. Information technology for enhanced communication provides an infrastructure that facilitates information exchange, social learning, and cross-functional coordination. From the perspective of SCT, communication technology not only functions as a tool but also as an environmental element that shapes learning opportunities, social observation, and behavior reinforcement (Leonardi, 2014; Appelbaum et al., 2020).

Development of Conceptual Framework

Based on Social Cognitive Theory (Bandura, 1986, 1997), this section develops a conceptual framework that explains how budgetary participation affects innovation performance through the interaction between personal factors, environmental conditions, and cognitive-structural mediation mechanisms. This framework positions budget participation not as a purely procedural practice but as a social and cognitive process that shapes individuals' innovative behavior within the organization.

Personal Factors and Budgetary Participation

Within the framework of Social Cognitive Theory, personal factors play an essential role in shaping how individuals interpret and respond to managerial practices. Self-efficacy reflects an individual's belief in their ability to perform tasks and influence the outcome of work

(Bandura, 1999). Individuals with high self-efficacy tend to be more confident in communicating ideas, engaging in budget discussions, and facing the risks inherent in innovative activities. Budget participation provides individuals with space to express their competencies, thereby strengthening cognitive and behavioral involvement in the budgeting process (Saputra & Lizam, 2025).

In addition, locus of control affects the extent to which individuals view the outcomes of their work as resulting from personal actions or external factors (Rotter, 1966). Individuals with an internal locus of control are more likely to use budget participation to influence organizational decisions and outcomes. In this context, budget participation serves as a mechanism aligned with the orientation of internal control and strengthens the role of the individual as an active agent in the decision-making process (Ng et al., 2006; Newman et al., 2021).

Proposition 1a (P1a): Self-efficacy is positively associated with budgetary participation

Proposition 1b (P2b): An internal locus enhances individuals' engagement in budgetary participation

Environmental Factors and Budgetary Participation

In addition to personal factors, Social Cognitive Theory emphasizes the importance of environmental conditions in shaping individual behavior. Task uncertainty refers to the degree of uncertainty surrounding the objectives, procedures, and results of the work. In conditions of high task uncertainty, individuals need richer information and greater discretion to perform their roles effectively. Budget participation provides a formal mechanism for exchanging information and clarifying expectations, thereby becoming increasingly relevant in the context of uncertain tasks (Chenhall, 2003; Bedford, 2020).

On the other hand, information technology (IT) for enhanced communication functions as an environmental element that facilitates interaction, collaboration, and social learning. Effective communication technologies improve the quality of budget participation by enabling cross-functional information exchange and increasing transparency in the budgeting process. From the perspective of SCT, these technologies expand opportunities for social observation and behavioral reinforcement, thereby improving individual engagement in participatory practices (Leonardi, 2014; Appelbaum et al., 2020).

Proposition 2a (P2a): Task uncertainty positively affects budgetary participation

Proposition 2b (P2b): IT for enhanced communication positively affects budgetary participation by fostering a supportive decision-making environment

Direct Effect of Budgetary Participation on Innovation Performance

In the context of innovation-oriented organizations, budgetary participation not only functions as a planning and control mechanism but also as a means of learning and knowledge exchange. Individual involvement in the budgeting process enables the integration of local information and new ideas into organizational goals, thereby supporting innovative behavior. From the perspective of Social Cognitive Theory, budget participation strengthens self-regulation and social learning, which are relevant to achieving innovation performance (Bandura, 1999; Chenhall & Moers, 2015).

Previous research has shown that participatory control systems are better suited to dynamic, uncertain environments, where innovation is a source of competitive advantage. Under these

conditions, budget participation has the potential to increase innovation performance, either directly or through the accompanying cognitive and structural mechanisms (Bedford et al., 2019; Englund et al., 2020).

Proposition 3 (P3): Budgetary participation is positively associated with innovation performance.

Budgetary Participation and Mediating Mechanism on Innovation Performance

The influence of budgetary participation on innovation performance does not operate directly; instead, it works through a series of internal mechanisms that shape how individuals interpret goals and direct their behavior within the organization. Based on Social Cognitive Theory, this study proposes cognitive mechanisms and behavioral mechanisms as the two main mediation pathways that explain how budget participation translates into innovation performance.

Cognitive mechanisms are the mental processes by which individuals understand, evaluate, and internalize organizational goals and expectations. Participation in the budgeting process allows individuals to be actively involved in goal setting, thereby improving understanding of work goals, perception of control, and self-regulation. From the perspective of Social Cognitive Theory, such engagement reinforces an individual's belief in their ability to influence work outcomes and align personal goals with organizational goals. These cognitive processes encourage deeper mental engagement, reflective problem-solving, and long-term orientation that support innovative activities (Bandura, 1999; Locke & Latham, 2002; Schunk & DiBenedetto, 2020).

Proposition 4a (P4a): Budgetary participation is associated with cognitive mechanisms that support innovation-oriented behavior.

Proposition 4b (P4b): The relationship between budgetary participation and innovation performance is mediated by cognitive mechanisms

Meanwhile, behavioral mechanisms reflect individual patterns of action and response that arise from job role clarity and expectations. Participatory budgeting provides a framework for clarifying priorities, responsibilities, and relationships between budget targets and operational activities. This clarity reduces behavioral uncertainty and encourages individuals to act proactively, share information, and take initiatives relevant to innovation. Within the framework of Social Cognitive Theory, this behavioral mechanism is a manifestation of self-regulation shaped by the interaction between personal cognition and the work environment (Bandura, 1986; Hartmann & Maas, 2011).

Proposition 5a (P5a): Budgetary participation is associated with behavioral mechanisms that facilitate innovation-related actions.

Proposition 5b (P5b): The relationship between budgetary participation and innovation performance is mediated by behavioral mechanisms

Thus, budgetary participation not only contributes directly to innovation performance but also operates through complementary cognitive and behavioral mechanisms. This approach asserts that innovation performance results from the interaction between individual cognitive processing and behavioral patterns shaped by managerial practices and organizational contexts (Englund et al., 2020).

Summary of the Proposed Conceptual Framework

Overall, the proposed conceptual framework explains that budgetary participation functions as a central behavioral mechanism that connects personal factors, namely self-efficacy and locus of control, as well as environmental conditions, namely task uncertainty and information technology for enhanced communication, with innovation performance. Within this framework, budget participation is understood not simply as a procedural practice but as a social and cognitive process that shapes how individuals interpret goals, direct behavior, and interact within organizations.

The influence of budgetary participation on innovation performance is explained through two main mediating pathways: cognitive mechanisms and behavioral mechanisms. Cognitive mechanisms represent an individual's internal processes of goal internalization, self-regulation, and evaluation of alternative actions. In contrast, behavioral mechanisms reflect patterns of action that arise from the clarity of role expectations, work structures, and social interactions facilitated by participatory budgeting practices. These two mechanisms reflect the principle of reciprocal determinism in Social Cognitive Theory, in which personal factors, environmental conditions, and behaviors dynamically influence one another.

By integrating personal factors, environmental conditions, and cognitive and behavioral mechanisms into a cohesive framework, this study offers a more comprehensive understanding of how and why budgetary participation can drive innovation performance in modern organizations. The proposed conceptual framework not only expands the participatory budgeting literature but also affirms the relevance of Social Cognitive Theory in explaining the role of management control systems in supporting innovation.

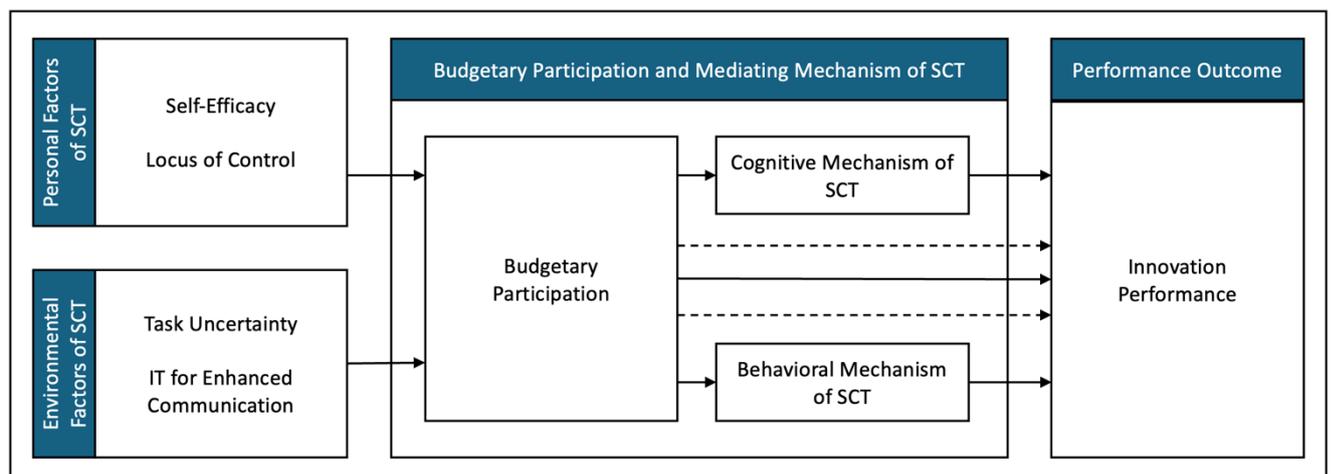


Figure 1. Proposed Conceptual Framework Based on Social Cognitive Theory

Discussion

Integrative Explanation of the Proposed Conceptual Framework

This section interprets the proposed conceptual framework by emphasizing the dynamic interactions among personal factors, environmental conditions, and mediating mechanisms that shape the relationship between budgetary participation and innovation performance. Based on Social Cognitive Theory (SCT), this framework positions budget participation as a social and cognitive process that functions as a link between individual beliefs (self-efficacy

and locus of control), work context (task uncertainty and IT for enhanced communication), and organizational innovative outputs.

Integratively, this framework shows that budgetary participation is not only a response to the design of the control system, but also the result of the individual's cognitive readiness and the accompanying environmental conditions. Individuals with high self-efficacy and an internal locus of control are more likely to use participatory spaces to convey ideas and influence decisions, particularly in uncertain environments and when supported by adequate communication technologies. Budget participation then triggers cognitive mechanisms, such as goal internalization and self-regulation, as well as behavioral mechanisms, such as role clarity, proactive behavior, and information exchange. These two mechanisms serve as the primary pathway that translates budget participation into innovation performance.

This approach asserts that innovation performance results from a gradual process of cognitive processing and behavioral adjustments, rather than from budgeting practices alone. Thus, this framework offers a more holistic explanation of how management control practices can support innovation in complex and dynamic organizations (Bedford et al., 2019; Englund, Gerdin, & Burns, 2020).

The Role of Social Cognitive Theory in Explaining Budgeting and Innovation Dynamics

The SCT plays a central role in explaining the dynamics of budgeting and innovation proposed in this framework. The principle of reciprocal determinism holds that participatory behavior in budgeting is shaped not only by formal structures but also by the reciprocal interactions among individual beliefs, the work environment, and actions. In this context, budgetary participation functions as a social arena where learning, observation, and self-regulation occur simultaneously (Bandura, 1986, 1999).

Thus, the application of Social Cognitive Theory not only enriches the participatory budgeting literature but also bridges management accounting and innovation research through behavioral and cognitive lenses. This approach confirms that management control systems can function as an enabler of innovation when designed and implemented, taking into account the cognitive and social dynamics of individuals in the organization.

Implication

Theoretical Implication

This research makes several significant theoretical contributions to the management and innovation accounting literature. First, this article broadens the understanding of budgetary participation by positioning it as a social-cognitive process rather than merely a procedural mechanism of control. By integrating Social Cognitive Theory, this study confirms that the effectiveness of participatory budgeting is highly dependent on the interaction between personal factors, environmental conditions, and the cognitive and behavioral mechanisms that accompany them.

Second, the introduction of cognitive and behavioral mechanisms as mediators offers a more flexible conceptual approach than using a single specific construct. This approach opens up space for further research to explore the various forms of internal processes and behaviors that bridge the management control system and innovation performance. Thus, this

framework strengthens the research agenda based on microfoundations in management accounting.

Third, by including task uncertainty and IT for enhanced communication as environmental conditions, this study expands the classic contingency model with more explicit cognitive and social dimensions. This helps explain why the same budgeting practices can yield different innovation outcomes across organizational contexts.

Practical Implication

From a practical point of view, the conceptual findings in this article imply that organizations need to design participatory budgeting systems that focus not only on formal engagement but also on the quality of the cognitive processes and behaviors that result. Managers are encouraged to foster an environment that reinforces self-efficacy and an internal locus of control, particularly in contexts of high task uncertainty.

In addition, investments in information technology that support two-way communication are crucial to ensuring that budget participation truly facilitates the exchange of ideas, goal clarification, and shared learning. By paying attention to cognitive and behavioral mechanisms, organizations can leverage participatory budgeting as a strategic tool to drive innovation, rather than simply as a control instrument.

Future Research Direction

As a conceptual article, this research opens up several opportunities for future empirical research. First, the following study can test the proposed framework using a quantitative design or a mixed-methods approach to validate the mediating roles of cognitive and behavioral mechanisms in the relationship between budgetary participation and innovation performance.

Second, future research may explore specific forms of cognitive and behavioral mechanisms, such as adaptive learning, sensemaking, or proactive behavior, to enrich micro-understandings of the budgeting process. A longitudinal approach is also recommended to capture the dynamics of cognitive and behavioral changes over time.

Third, the organizational and national cultural contexts can be interesting moderation variables to test, given that budgeting practices and the interpretation of participation can differ significantly across cultures and industries. Cross-border or cross-sectoral research will enhance the generalization and external relevance of this framework.

Conclusion

This article contributes to the development of theories in accounting, management, and innovation by proposing a conceptual framework that systematically integrates budgetary participation and innovation performance through the lens of Social Cognitive Theory. Unlike the traditional approach, which views budget participation as a structural mechanism or a technocratic control instrument, this study confirms that budget participation is a social-cognitive process embedded in the dynamic interaction between individuals and their organizational context.

The first theoretical contribution lies in reconceptualizing the role of budgetary participation. This article positions budget participation not as an independent variable that operates directly, but as a behavioral arena in which personal beliefs (self-efficacy and locus of control), environmental conditions (task uncertainty and IT for enhanced communication), and managerial practices interact. Thus, this study expands the understanding of classical contingency by including cognitive and social dimensions that have been underexplored in budgeting research.

Second, this study contributes to the literature on microfoundations by identifying cognitive mechanisms and behavioral mechanisms as the main theoretical pathways that bridge budget participation and innovation performance. Instead of relying on narrow, context-specific mediation constructs, these frameworks offer a more abstract and generative set of mechanisms that can be adapted and tested across organizational, industry, and cultural contexts. This approach helps explain the heterogeneity of previous empirical findings. It encourages a shift in focus from "whether budget participation is effective" to "how and through what processes budget participation produces specific impacts."

Third, the explicit integration of Social Cognitive Theory enriches the theoretical foundation of management control research by emphasizing the principle of reciprocal determinism. Through this perspective, participatory budgeting is understood as a social learning process that shapes and is shaped by self-regulation, social observation, and repetitive interactions between actors and their environment. Thus, this article contributes to efforts to bridge management accounting with behavioral theory and organizational psychology, and it affirms the relevance of SCT as a robust explanatory framework for the phenomena of control and innovation.

Overall, this article offers a conceptual shift from a mechanistic view to an actor-based approach to understanding participatory budgeting. By placing cognitive and behavioral mechanisms at the core of its theoretical analysis, the proposed framework opens a new research agenda that emphasizes processes, interactions, and context as key elements in explaining the role of management control systems in supporting organizational innovation. This contribution is expected not only to enrich the management accounting literature but also to encourage a cross-disciplinary theoretical dialogue on how managerial practices shape innovative behavior and performance.

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