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**Creating Slack in budgets an empirical analysis of Anglo-American and
Libyan companies operating in Libyan oil sector**

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تضخيم الميزانيات التقديرية

دراسة تحليلية للشركات الأنجلو أمريكية والشركات الليبية العاملة

في قطاع النفط الليبي

المستخلص

ان ظاهرة تضخيم الميزانيات التقديرية لها اثار سلبية علي اداء المنظمة لأنه يؤدي الي تشوهات في عملية توزيع الموارد الاقتصادية داخل المنظمة. غالبا عندما تشارك الإدارة في عملية اعداد الميزانيات التقديرية تكون عملية تضخيم الميزانيات التقديرية منخفضة. في المجتمعات "الجماعية" تتحول مصلحة الأفراد الشخصية إلى مصلحة المجموعة. لذلك فان عملية تضخيم الميزانيات التقديرية لأهداف الشخصية تأتي بعد الاهتمام بمصالح المجموعة. استخدمت هذه الدراسة بعد هوفستد (2005) "الفردية - الجماعية". تم تطبيق المنهج الكمي لتحديد الفرق بين الشركات الليبية والشركات الأنجلو أمريكية العاملة في قطاع النفط الليبي من حيث تضخيم الميزانيات التقديرية. تم جمع البيانات بواسطة الاستبيان لاختبار الفرضية. النتائج تقدم دليلا تجريبيا على أن بعد "الفردية - الجماعية" ليس له اي تأثيرا على سلوك تضخيم الميزانيات التقديرية كما هو مفترض. على الرغم من أن تضخيم الميزانيات التقديرية يرتبط بالمكافآت على تحقيق أهداف هذه الميزانيات. إلا أن هذا ليس هو الحال في قطاع النفط الليبي. تساهم الدراسة ايضا في اثناء البحوث السابقة باستنتاج أن تضخيم الميزانيات التقديرية في قطاع النفط الليبي لا يتأثر بالبعد الثقافي "الفردية - الجماعية".

الكلمات الدالة: الثقافة، الفردية، الجماعية، الميزانية التقديرية وتضخيم الميزانية.

Creating Slack in budgets an empirical analysis of Anglo-American and Libyan companies operating in Libyan oil sector

Abstract

Budgetary slack has drawbacks on organizational performance because distortions may occur in the allocation of resources. When management is predominantly involved in budgeting, slack in the budget is low. In collectivistic societies the interests of individuals shift to the group, creating budgetary slack for personal goals comes after the interest of the group (Ueno et al. 1992; Wu, 2005). This study utilized Hofstede (2005) individualism versus collectivism dimension. A quantitative approach was applied to determine the differences between Libyan and Anglo-American companies operating in the Libyan oil sector in terms of creating slack in their budgets. Questionnaire survey data were collected to test the hypothesis. Results provide empirical evidence that individualism versus collectivism does not exert an influence on budgeting behaviour in terms of creating slack in budgeting processes as hypothesized. Although creating slack is associated with rewards on achieving budget goals (Douglas and Wier, 2005), this is not the case in the Libyan oil sector. The study further contributes to the literature by concluding that the creation of budgetary slack in the Libyan oil sector is not influenced by cultural dimensions.

Keywords: Culture, individualism, collectivism, budget and budgetary slack.

Introduction:

The impact of human behaviour on budget processes in an organization is a well-established research stream in the accounting discipline. This topic is enjoying renewed interest in the contemporary business environment as globalization is causing the rapid integration of economic, political and cultural systems across the globe. The management of external and internal environment differences is imperative for multinational companies operating in the global arena. In particular, the management of individual employees' cultural differences represents a substantial challenge for management at every level of an organization, including the preparation, control and revision of budgets by groups of people from differing cultures.

The Libyan oil industry is a perfect showcase of the impact of globalization and changes in economic, political and cultural integration on the modern business environment. A member of OPEC and owner of the largest oil reserves in Africa, Libya attracts foreign investment from a diverse range of countries for exploration, production, transportation, and refining of oil. To extend the findings of previous research on the impact of human behaviour on budget processes in accounting, this paper examines the impact of culture on organizational budget setting processes, using the diverse multicultural backdrop of the Libyan oil industry to contextualize the contemporary global business environment.

While there has been much investigation into cultural differences between countries and the impact this has on business relationships, less attention has been paid to the challenges that arise from having a multi-cultural workforce within an organization. In the accounting discipline researchers have investigated the influence of culture on budgeting and budgeting processes in manufacturing and service industries and have identified the need for managers to adapt practices according to localized conditions. This is critical in terms of maintaining their legitimacy and acceptance as perceived by local stakeholders. The most influential obstacle that prevents harmonization in organizational budgeting is often related to culture or, more specifically to the impact of cultural differences on employees involved in the process.

Libya's economic growth trends are positive and foreign direct investments are increasing in the oil sector. In addition, the growth in international trade between Anglo-American countries and Libya in recent years requires a better understanding of customs and expectations in cross-cultural budgeting systems. The importance of culture and its historical roots is only just beginning to be recognized in Libyan accounting literature and there has been a lack of attention to the effects of culture on budgets and budgeting processes. Culture is so important when dealing with people from different countries (Chang 2003). In this direction the budgeting process is heavily dependent on human involvement, participation, and judgment (Douglas and Wier, 2007) which can be affected by values, background, religion, education, language, and culture. Therefore, studying cross-cultural differences facilitates and enables managers of multinational companies to gain great benefit from comprehending and understanding these differences in managing cross-cultural organizations, and how to implement human resource programs in situations where workforces are culturally diverse. Mendonca and Kanungo (1996) also argue that the competitive advantage of operating internationally depends on how managers administer their human resources. There are potential benefits of managing diversity, such as better decision making, competitive advantage, innovation, and creativity (Jain and Verma, 1996). An international management practice perspective has potential to make a substantial contribution to this emerging field of research.

There is a growing interest in international comparative cross-cultural management, especially in the developed world (Chow et al. 1991; Collins et al. 1999), the number of research studies focussed on the influence of culture on business and budgeting processes has been more limited in relation to the developing world. Although research in the international business literature on the influence of national culture on budgets and budgeting processes has increased in recent years, most research has focused on Western countries in general but Arab countries in particular (Libya especially) appear to have been ignored (Kanan et. al. (2018). The aim of this paper is to study the cultural differences in a Western developed countries context (Anglo-American) and in a non-Western/developing and Arab/North African country context (Libya) in terms of processes especially creating slack in budgets. In this context, the philosophy of cultural influence on budgets and budgeting processes is extensively discussed in manufacturing and services industries but rarely discussed in the reality of business that is as culturally diverse as the oil and gas industry (Kanan et.al. 2018; Lau and Tan 1998; Skarlicki 2001).

From the literature it seems that there is a critical lack of research on cultural differences in the oil industry. Furthermore, as the number of multinational employees, increases senders and receivers of information in companies that operate in the oil sector require precise and concise information and special techniques to convey information accurately especially where cultural differences may hinder communication and reception (Weijermars et al. 2008). Even though its tremendous importance in both developed and developing countries the oil industry has not been studied to the same extent as manufacturing, particularly regarding cultural differences. After an intensive review of the literature, it appears there is a critical lack of empirical studies regarding cultural differences on Arab management practices (Atiyah 1993; Kozan 1993; Parnell et. al. 1999). Consistent with traditional perception, management and accounting research in Libya are especially underrepresented. A deeper understanding of the influence of culture on budgeting processes might provide prescriptive insight to guide both multinational corporations' managers and host country's managers that intend to operate their subsidiaries in different cultures and countries. In this regard, Czinkota et al. (1995) argue that every employee and manager need to be aware of cultural sensitivity. In this regard,

Yee et al. (2008) also provide a research agenda into the effect of culture on budgeting in Japan. This research agenda can be modified and applied to Libya especially in terms of that aspect relating to Hofstede's individualism vs. collectivism dimension and its predicted effects. As Libyan evidence is lacking, Libyan employees may also gain insights on how to deal with managers from different cultures (Kanan et. al. (2018). Libyan companies may also adopt practices from Anglo-American companies that may not be culturally appropriate. As such, this research will benefit not only worldwide academic community but also practising managers and workers within the oil and gas industry in Libya.

Libyan back ground

Libya is an Islamic, Arab country. Until the discovery of oil in 1951, Libya's history was marked by severe levels of poverty. It is a significant geopolitical force in the heart of North Africa with a landmass in excess of 1.7 million square kilometres. A significant geological feature of Libya is its onshore oil fields near to the coast and close to Europe. The natural flow of oil towards the sea has helped Libya to produce oil

relatively cheaply as compared to many other producers. Libya is considered to have the largest proven oil reserves in North Africa and holds 3.34% of the world's reserves. Its location between the developed economies in the West and growing economies of North Africa has enabled it to reduce transport costs, thus increasing the significance of its supplies to the oil market (Yahia 2008). Libyan crude oil is valued for its geographic proximity to Western countries. About 95% of Libyan exports go to Europe.

Culture

Culture is an understandable word; however it is difficult to define clearly. Although the word culture is manifested in everyday usage of language, it is still used loosely to express many different concepts (Dahl 2004; Spencer-Oatey 2008). Hofstede and Hofstede (2005, p. 4) define culture as “the unwritten rules of the social game. It is the *collective programming of the mind* that distinguishes the members of one group or category of people from others”. This study defines culture as the economic systems, attitudes, education systems, laws and legal systems, social rules, associations, enterprises, religious communities, school systems, family structures, habits, art, values, beliefs, morals, ritual practices, ceremonies, and forms are all part of formal culture. Informal culture includes stories, rituals of daily life, gossip and language, customs, habits, resultant behaviour, norms, and artefacts shared by a certain society. These norms govern how people act, how they define themselves, how they differ from other societies' members. They also govern how these shared elements facilitate communication with each other in effective and efficient ways. Moreover, they influence a particular group of people's behaviours and their mental lives (Bradford 2005; Christie et al. 2003; Dahl 2004; Hofstede and Hofstede, 2005; Jennergren 1980; Swidler 1986; Twati 2007; Williams 1988).

This study compares two different cultures Libyan and Anglo-American. Societal culture is used to distinguish members from one nation to another. The study uses Hofstede's (2001) study which is the most comprehensive study conducted in a large multinational corporation (IBM) operating in more than 72 countries. His study was the largest cross-cultural business survey ever conducted and achieved major interest from business scholars (Bing 2004; Dahl 2004; Silvia 2006; Yates and Cutler, 1996). Chapman (1996) p. 18) concurs, believing that “it is not possible to deal with ‘culture’ in the area of business and management without becoming aware of the long shadow cast by the work of Geert Hofstede”.

The five dimensions of Hofstede model which are: power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity and long vs. short-term orientation. Individualism vs. collectivism is used in this study to seek its effect on budgeting processes in terms of budgetary slack.

Budgetary slack

Budgetary slack or ‘padding the budget’ refers to the practice of overestimating budget costs or underestimating budgeted revenues in order to make the achievement of budgeted targets simpler. Budgetary slack also is exaggerating costs or minimizing revenue which may lead to undermining the effectiveness of a budget (Douglas and Wier, 2005; Onsi 1973; Staley and Magner, 2007; Ueno and Sekaran, 1992; Wu 2005). Little et. al, (2002) argue that the tendency to create budgetary slack is the intentional inclusion or submission of biased budget estimates that are easier to attain, and usually occurs when performance and rewards are based on achieving the budget's target.

There are many factors that assist in creating slack in an organization such as the extent of growth in volume of sales, profitability, behavioural aspects, and satisfying personal objectives for members of the coalition and other factors (Onsi, 1973). Managers who create slack in budgets may well attain more rewards or progress in their unit's performance thus leading to self-interested behaviour. Managers who are often rewarded on the basis of reaching a budget's goal will be rewarded more than they ought when their budget is full of slack (Rankin et al. 2008; Staley et al. 2007; Ueno et al. 1992). Covaleski et al. (2003) indicate that employees who have superior information related to their task also have the ability and incentive to manipulate information or create budgetary slack. Daley et al. (1985, p. 94) state that "Slack considered to be affected by the level of budget difficulty and the manager's freedom to shift costs among various budgets". Magner et al. (2006) find that the implementation of fair formal budgetary procedures might reduce the tendency of managers to create budgetary slack.

Allowing managers to have their input into the budget, and allowing them to appeal decisions that are made regarding the budget will ensure that the budget is based on truthful information and in a regular way will enhance the fairness of the budgetary procedure (Magner et al. 2006). This approach will increase loyalty to an organization and enhance trust in a supervisor thus lessen the tendency to create budgetary slack. Van der Stede (2000) found that management short-term orientation and creating slack in a budget are seemingly related. A rigid budgetary control style depends on incentives for all employees at all levels of an organization who will be evaluated mainly on achieving their budget.

Budgetary slack has drawbacks on organizational performance because distortions may occur in the allocation of resources. When management are predominantly involved in budgeting, slack in the budget is low. In collectivistic societies the interests of individuals shift to the group and creating budgetary slack for personal goals comes after the interest of the group (Ueno and Sekaran, 1992; Wu 2005). However, Douglas and Wier (2005) argue that to create slack in budgets is based on ethical and individual philosophy.

Methodology

Hofstede & Hofstede (2005, p. 76) define individualism-collectivism (IC) as Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which throughout people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty.

In individualist societies managers will care about themselves and they will look for personal benefits and try to enhance their performance which leads them to create slack in budgets so they can achieve budgets' goals and obtain rewards based on those achievements (Aycan 2000; Douglas and Wier, 2007; Douglas and Wier, 2005; Hofstede 2001; Miroshnik 2002; Staley and Magner. 2007; Ueno and Sekaran, 1992). Individual Protestant work ethic and high achievement in Anglo-American societies are bases of individualism (Ali 1993). Managers in collectivist societies are group-oriented (Miroshnik 2002). Therefore they will not be encouraged to create slack in budgets because managers will not obtain rewards from achieving budget targets. Achieving a budget's goal will be related to the group's achievement not to the individual's (Magner

et al. 2006; Tsui 2001; Ueno and Sekaran, 1992).

The hypotheses “*Creation of budget slack is larger in Anglo-American companies than in Libyan companies*” was tested to identify differences between Libyan and Anglo-American companies operating in the Libyan oil sector in terms of individualism vs. collectivism.

A quantitative approach was applied to determine the differences between local and Anglo-American companies (USA, Canada, UK, and Australia) in one aspect of the budgeting process in terms of creating slack in their budgets. Questionnaire survey data were collected to answer the research issue. Five-hundred survey questionnaires were sent to both Libyan (320) and Anglo-American (180) managers and employees at different levels to solicit information from participants who have direct experience in the budgeting process. The targeted respondents included accountants in budget sections and managers of finance departments. Non-accountants were also surveyed including managers from production, sales, purchasing, human resources, training, drill and workover (operation), personnel, exploration and marketing. The questionnaire was created in English then was translated into the Arabic language. The surveys were conducted in both English and Arabic languages. Some 215 useable questionnaires were returned from Libyan companies and 115 usable questionnaires were returned from Anglo-American companies.

Data was checked for missing data, outliers and extreme values, and normality. Internal consistency (Cronbach’s alpha) was calculated in order to assess the scales quality (reliability) of all constructs and measures (Devellis 2003; Hair et al. 2006). Factor analysis was used to decrease the number of variables to a lesser number of factors.

Statistical analysis

The study selected six (6) items (items were adapted from: Maiga and Jacobs, 2007; Onsi 1973; Staley and Magner, 2007) to determine the extent to which workers create slack in their budgets. Factor analysis confirmed that the underlying latent factor converges as assumed after deletion of three items (Slack1, Slack4 and Slack6) due to low factor loadings (less than 0.4) (Table 1).

Table 1: Factor analysis-Budget slack

Reliability- Cronbach’s Alpha	.689	% Variance Explained	44.581%
KMO	.636	Bartlett’s test	.000
Items			Standardised Regression Weights
1. In good business times, budget committee decision makers accept a reasonable level of slack in a unit’s budget. (Slack1)			Deleted
2. Slack in the budget is good because it lets you do things that cannot be officially approved.			.669
3. My unit runs more effectively when it has slack in its budget.			.802
4. To protect himself, a manager submits a budget that can safely be attained. (Slack4)			Deleted
5. With some skill, a manager can use slack to improve his unit’s performance.			.496
6. Top management has a way to know if there is slack in a unit’s budget. (Slack6)			Deleted

Sampling adequacy was considered acceptable (KMO=0.636). The percentage variance explained by the latent factor is 44.581%. This is also acceptable to explain the

underlying factor. Item 5 loaded at 0.496 which is considered minimally acceptable according to Hair et al. (2006, p. 129) and fair according to Tabachnick and Fidell (2007, p. 649). Three items are regarded as acceptable indicators to adequately describe the latent factor slack in budgets and has acceptable scale reliability (Cronbach's Alpha=0.689).

A t-test was conducted to test the hypothesis that “creation of budget slack will be larger in Anglo-American companies than in Libyan companies” (Table 2).

Table 2: Summary of t-test for H7

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.002	.967	-2.987	328	.003
Company group	N	Mean	Std. Deviation		
Anglo American	115	2.92	.751		
Libyan	215	3.17	.728		

The Levene's test is not significant ($p=0.967$). Therefore the groups' variances can be assumed to be equal. The t-test indicates that there is a significant difference between the two company groups in terms of creating slack in their budgets ($t(330) = -2.987$, $p=0.003$). Employees in Anglo-Americans companies had less inclination to create slack in their budgets ($M=2.92$, $SD=0.75$) than employees in Libyan companies and possibly less ability to do so ($M=3.17$, $SD=0.72$).

To examine whether there are statistically significant differences among cultural groups in terms of creating slack in their budgets one-way ANOVA was conducted.

Table 3: Homogeneity, Welch and Brown-Forsythe tests-slack

Test of Homogeneity of Variances				Robust Tests of Equality of Means				
Levene Statistic	df1	df2	Sig.		Statistic ^a	df1	df2	Sig.
4.655	2	327	.010	Welch	5.111	2	103.475	.008
				Brown-Forsythe	4.333	2	130.732	.015

The test of homogeneity of variances shows that variances between cultural groups are not equal (Levene's test=4.655, $p = 0.010$). Because variances between these groups are not equal it is appropriate to apply the Welch and Brown-Forsythe tests to determine if there is a statistically significant difference between cultural groups. This test shows significant differences among groups (Table 3).

The ANOVA analysis indicates a significant difference between the cultural groups ($F(2,327) = 4.652$, $p=0.010$). Anglo-American employees have the least tendency to create slack in their budgets ($M=2.89$, $SD=0.64$) than Libyan employees in Anglo-American companies who have only a slightly higher tendency to create slack ($M=2.96$, $SD=0.87$). However, Libyan employees in Libyan companies showed the highest tendency to create slack in their budgets ($M=3.17$, $SD=0.72$), (Table 4) (Figure 1).

Table 4: ANOVA-slack

ANOVA						Descriptive	N	M	SD
	Sum of Squares	Df	Mean Square	F	Sig.	Libyans in Libyan-Coy	215	3.17	.728
Between Groups	5.061	2	2.531	4.652	.010	Anglo-Americans	65	2.89	.648
Within Groups	177.887	327	.544			Libyans in Anglo-Coy	50	2.96	.871
Total	182.948	329				Total	330	3.08	.745

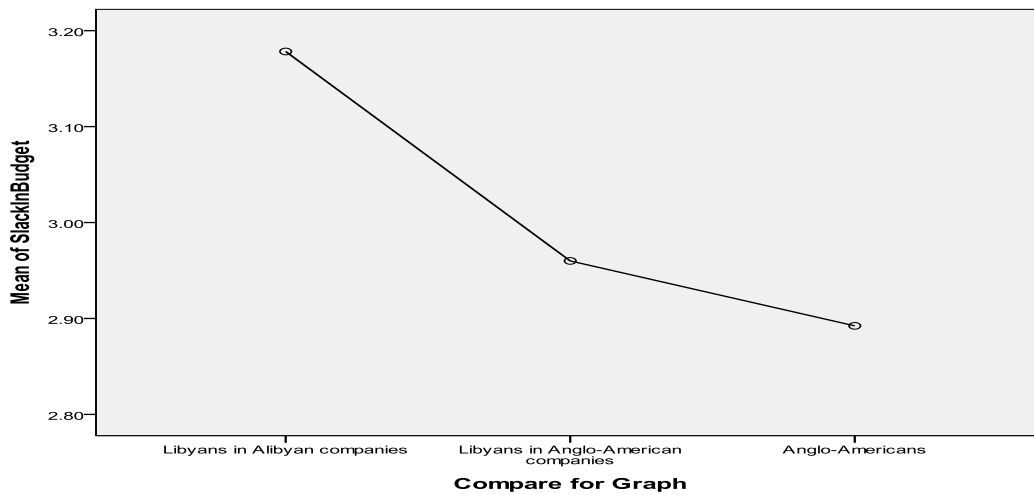


Figure 1: Slack means by cultural group

Table 5 shows the results from Games-Howell post-hoc comparisons. Games-Howell was used because the variances between cultural groups are not equal. The results indicate that there is a highly significant difference between Libyans in Libyan companies and Anglo-Americans in Anglo-American companies. Results indicate also that there is no significant difference between Libyans in Libyan companies and Libyans in Anglo-American companies. There is also no significant difference between Anglo-Americans and Libyans in Anglo-American companies.

Table 5: Games-Howell post-hoc-slack

(I) Comparisons among cultural groups	(J) Comparisons among cultural groups	Mean Difference (I-J)	Std. Error	Sig.
Libyans in Libyan-Coy	Anglo-Americans	.28599*	.09456	.009
	Libyans in Anglo-Coy	.21829	.13296	.236
Anglo-Americans	Libyans in Anglo-Coy	-.06769	.14722	.890

According to the statistical analysis the hypothesis of the study is not supported quantitatively. Anglo-American companies are found to create less slack in their budgets than Libyan companies. This study provides empirical evidence that individualism versus collectivism does not exert an influence on budgeting behaviour in terms of creating slack in budgeting processes as hypothesised. Although creating slack is associated with rewards on achieving budget goals (Douglas and Wier, 2005), this is

not the case in the Libyan oil sector.

The quantitative data analysis shows significant difference between employees' tendencies to create slack in their budgets. Further analysis of these results according to managerial levels shows no significant difference in the practise between high and low managerial levels. However, a significant difference between employees' tendencies to create slack in their budgets exists in middle managerial levels. This might be due to the adherence of high managerial levels in terms of their responsibility to reduce the slack in budgets as determined by (NOCL) while middle managers desire more slack because they are directly responsible for planning and implementation, and express concern about the shortage of funding to do so effectively. This could also mean that there is more pressure on middle management to meet budget objectives than on senior managers or on the staff that prepare budgets. In relation to the low managerial level there is no significant difference in their use of slack in budgets. The reason may be that most participants are accountants and the results confirm that accountants' tendencies to create slack are always lower than managers in Anglo-American companies while Libyan accountants have higher tendencies to create slack in budgets than Libyan managers. Quantitative data analysis indicates a significant difference in terms of creating slack in budgets between Anglo-American accountants and Libyan accountants in Libyan companies. These analyses include all participants regardless to managerial levels. Libyan accountants show a higher but not significant tendency to create slack in their budgets than Libyan managers in Libyan companies.

It is further apparent that Libyans' participation in budgeting processes both in Libyan companies and in Anglo-American companies is low and lead to the creation of more slack in their budgets. In contrast, high participation of employees in budgeting processes of Anglo-American companies lead to creating less slack in their budgets. During the 1990s, the then Singaporean Prime Minister Goh Chok Tong classified Singaporeans as either "heartlanders" or "cosmopolitans" with the cosmos able to function effectively in diverse cultural contexts. Libyan needs to develop a large percentage of cosmopolitans with most of them continuing to work in Libya for the benefit of the country. Arising out of these observations is the assumption that employees might misrepresent their forecasting and will not provide honest information to their superiors when employees' objectives diverge from an organization's policies and senior management prerequisites. This is especially so when superiors have the authority over budgets which reduce the importance and effectiveness of budgeting processes (Dunk 1993; Kanan et. al. 2018; Rankin et al. 2008; Staley and Magner, 2007).

Contributions to literature

The study tests existing theory within a specific industry and national context not previously researched. It further tests long-held assumptions and generalisations related to the impact of cultural differences on budgets and budgeting processes by providing new insights that are country and industry specific. Due to the scarcity of research and studies on the impact of culture on budgets and budgeting processes in the oil sector and within the context of an Arab country generally and Libya in particular, the article fills a gap in the literature. Budgets, as one of the most important skill or practising managers, have been neglected in studies of cultural diversity especially in terms of how budgets and budgeting processes could be affected specifically in the Libyan oil sector. This study also contributes to the literature by providing evidence from the oil and gas

industry in terms of the impact of societal cultural dimensions on budgets and budgeting processes thus supporting a theory of cultural influence on budgeting processes in the oil and gas industry. Studies have not previously addressed certain specific aspects of the budgeting process in relation to cultural differences.

The study further contributes to the literature by concluding that the creation of budgetary slack in the Libyan oil sector is not influenced by cultural dimensions. Results are different to the hypothesised relationship between the effects of cultural dimensions on budgetary slack and contrasted with those from previous studies. It can be concluded that the results from previous studies are not applicable to companies operating in the Libyan oil sector. This may be due to the fact that previous studies have only been conducted in manufacturing and services sectors. It is acknowledged that the differentiation in terms of sector specific research may explain the inconsistency with previous studies.

Contributions to practice

Adopting appropriate practices in international businesses is of paramount importance in the sustainability of multinational companies. A dimension of adopting appropriate practises is linked to the capability of successfully operating in different cultures and extends to the efficiency of budgeting processes (Wu 2005). The findings of this study contribute in developing an understanding of the impact of culture on budgets and budgeting processes. This is achieved by providing prescriptive insights useful in guiding both multinational corporations' employees and Arabic host country's employees in terms of engaging with their culturally diverse workforces and operating environments. This is especially of value in guiding managers who operate their subsidiaries in the Libyan oil and gas industry. The findings of this study increase understanding of cultural differences between Anglo-Americans and Libyans in terms of conducting their operations in the oil and gas sector. These findings may have important implications for the way that Anglo-Americans interact with Libyans in the Libyan oil sector and vice versa. It also provides useful insights to perspective of Anglo-American companies that intend investing in the Libyan oil and gas industry. This is increasingly likely in view of the increased international trade between Anglo-American countries and Libya since the lifting of sanction by the UN.

This study also assists managers in terms of illustrating best practises of successfully running businesses internationally especially in terms of the diversity of thinking about business, being open-minded to culturally different ideas, sensitivity to diversity, recognition of the importance of diversity of management, and understand cultural differences of the workforce (Enshassi et al. 1991; Harris et al. 2008).

Limitation of the study

One of limitation of this study is that using Hofstede's (2005) cultural dimensions which has been criticised by a number of researchers. However, Hofstede's model is still widely used due to its simplicity and clarity to both academics and practitioners. One key limitation of Hofstede's model is that it does not consider cultural differences within nations based on ethnicity, religion, social class, and occupation or rural vs. urban. Further studies using different cultural models are encouraged and also comparisons with these findings as against the Hofstede model are needed in the Libyan context. Another limitation of the study is in categorising the group 'Anglo-American companies' with respondents being employees from USA, UK, Canada, and Australia

the differences that exist between cultures, epitomised by countries, was largely ignored. Variability of scores in terms of the cultural dimensions attributed to each Anglo-American country was marginal and justified the grouping as adopted by the study. This limitation could not be avoided because responses from one country would not have been sufficient for data analysis.

Data was also gathered from different activities in the oil sector including exploration, production, refinery, marketing and services. This may have affected the results because of the uniqueness of each activity in the oil sector but was not apparent. This limitation could not be avoided. These results are not spurious. It is possible that the time period Libyan and Anglo-American employees have worked in Anglo-American companies is not long enough to intermingle the two cultures. Libyan companies have operated in the Libyan oil sector for a long time while Anglo-American companies have only operated for less than five years. Also to compare Libyans work in Anglo-American with Anglo-Americans is subject to limitation that Libyans only worked for less than five years. It might be not enough time to have experience and to change their attitudes.

Conclusion

Libyan employees create more slack in their budgets with the results of the analysis illustrating a significant difference between Libyan and Anglo-American employees in this respect. These results contradict previous research conducted by Ueno and Sekaran (1992). These authors find that Anglo-Americans create more slack in their budgets than Japanese. It was expected that Anglo-Americans create slack in their budgets in order to improve their performance and obtain rewards (Wu 2005). It was further expected that Libyans create less slack because there are no rewards for achieving their budgets and their performance will not be improved on the basis of achieving budget goals. This paper provided discussion of quantitative analysis to both Libyan and Anglo-American companies operating in the Libyan oil sector in terms of creating slack a budget. Further studies are encouraged to investigate further this phenomenon further when the experience of Libyans working in Anglo-American companies has longer tenure.

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