RELIGION, RELIGIOSITY AND SLACK CREATION: SOME EMPIRICAL EVIDENCE

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Abstract

Given that the ethical paradigms and the personal characteristics of managers serve as internally mediated controls for slack creation, our study examines if religion and religiosity influence the propensity of managers to create budgetary slack. We focus on Islam primarily because Islam does not recognize the divide between religious and worldly affairs. Accordingly, we argue that Islam may influence a manager's propensity to create slack. Data was collected using a questionnaire survey. To control for variation effects, questionnaires were sent to 91 managers of just one company, a Malaysian based Korean company. We found no significant difference between the slack created by Muslim and non-Muslim managers. Thus, it appears that Muslims and non-Muslims are no different where business matters are concerned. Further, given that religiosity may have a bearing on a manager's propensity to create slack, we also examined the relationship between religiosity and the propensity to create slack amongst Muslim managers. The results, although not significant, revealed that the more religious a manager is, the lesser the propensity to create slack. Possible reasons for the findings are discussed.

Keywords: Islam, budget slack, religion, religiosity, Malaysia

Introduction

Budgetary slack creation is an act of misrepresenting actual performance capabilities (Douglas and Wier, 2000). Some researchers have suggested that the creation of budgetary slack is common in organizations (Merchant, 1985; Merchant and Manzoni, 1989; Lukka, 1988) as it acts as a tool that is beneficial as a buffer against uncertainty, particularly in dealing with multiple organizational goals (Davila and Wouters, 2004; Stede, 2000; Lukka, 1988). However, slack may have negative implications for the organization. For example, it results in the misallocation of a firm's resources, biased performance evaluation and low effort by managers (Dunk and Nouri, 1998; Douglas and Wier, 2000). Given the detrimental effects of slack creation, several researchers have attempted to identify the conditions under which it arises and the means by which it can be controlled (Davila and Wouters, 2004; Webb, 2002; Dunk and Perera, 1997; Fisher et al., 2000, 2002).

Various researchers have suggested that the impact of culture on budgetary behavior may be significant (Ueno and Sekaran, 1992; Tsui, 2001; Chow et al., 1996; Abas, 1999; Goddard, 1997). This is to be expected if accounting is regarded as a socio-technical activity. In this case accounting is unlikely to be free of cultural influences (see Violet, 1983; Perera, 1989). Prior research examining the relationship between culture and budgetary behaviour has largely adopted Hofstede's (1980) national cultural dimensions. However, the broader concept of culture includes habits of speech, material traits, art, knowledge, religion, society, property and customs of government and war (Wissler, 1923). Faruqi (1989) contends that religion is the very essence and core of culture. Religious behaviour, beliefs and experiences are part of the culture, and are regularly transmitted from generation to generation in the same way as any other customs (Argyle and Beit-Hallahmi, 1975). Thus, religion exerts a profound influence on many aspects of human life and personality, and may influence the manner in which accounting is practised. More specifically, religion may influence a manager's budgetary behaviour. Accordingly our study examines if, religion, and in particular Islam, affects budget slack creation. Additionally, we also investigate the association between a manager's religious commitment and the propensity to create budget slack.

Our study is pertinent for several reasons. Firstly, prior studies examining the determinants of budget slack creation have not investigated religion as a variable that may affect budgetary behaviour. Our study's focus on religion and its impact on budget slack creation will contribute to the literature on culture's influence on management accounting practices. Secondly, previous studies on Islam and accounting have largely focused on financial accounting and reporting (e.g. Hamid et al., 1993; Baydoun and Willett, 2000; Sulaiman and Willett, 2003). Consequently, a study investigating the influence of Islam on management accounting practice is timely. Finally, religiosity or religious commitment has not been studied in previous Islamic accounting research. Thus, the relationship between religiosity and budget slack creation, and the measure of religiosity developed by the authors, will benefit the literature in this area.

The remainder of the paper is organized as follows. Section 2, as background to the paper, discusses the Islamic worldview and the concept of accountability in Islam. Section 3 focuses on the relationship between Islam and the propensity of managers to create budgetary slack. The hypotheses of the study are developed in this section. Section 4 describes the research method and Section 5 discusses the results. Section 6 concludes.

The Islamic Worldview

In order to understand how Islam may influence budgetary practices, it is necessary to understand the Islamic worldview. The Islamic worldview is influenced by the philosophic concepts of *Tawhid* (oneness of God), *khilafah* (vicegerency), *Rububiyah* (God's arrangement for directing things towards a perfect state of human sustenance), *Adalah* (justice), *Tazkiyah* (purification), *Syura* (mutual consultations) and accountability (Naqvi, 1981; Chapra, 1992; Ahmad, 1979; Arif, 1984). Such concepts provide a framework within which the Islamic social order lies and this influences the manner management accounting is practiced (Sulaiman, 1998).

A Muslim's outlook on life is governed by the concept of *Tawhid* (Unity). Essentially, a Muslim recognises that there is only one God and man's ultimate accountability is to Him. Additionally, an individual's relationship with other individuals mirrors his relationship with God. Both are equally important. *Khilafah* prescribes the Islamic social order formed on the basic principles of justice, equality and brotherhood. *Rubbubiyyah* refers to God's arrangement for directing things towards a perfect state of human sustenance. Muslims believe that there are sufficient resources to sustain everybody to achieve God's perfect plan for the universe. This viewpoint is different from the basic tenet of neoclassical economic theory that goods are in short supply (Gambling and Karim, 1991). It is within the context of this divine arrangement that human efforts take place. As goods are adequately provided by God for everyone, greed and self interest should not exist.

The general theme of the Islamic social order is cooperation and mutual consultation (*shura*). An individual's freedom of actions must be combined with a sense of responsibility towards others and individual freedom is constrained by ethical limits. Since social awareness and a concern for individuals are inextricably blended, working for the welfare of others is the most promising way of extending one's usefulness in pleasing God. The emphasis on the well-being of the community is implicit. One's actions should be guided by what is best for the society, suggesting an absence of self-interest and an emphasis on goal congruency. The philosophic concepts just discussed have wide implications on how management accounting should be practised. The concept of accountability and the practice of mutual consultation (*syura*) are particularly relevant. These are discussed in greater detail next.

Accountability

Accountability in Islam flows from the concept of *Tawhid.* The Islamic sense of accountability is different from that which is generally understood in the West. In Islam, accountability is viewed from two different perspectives: man's accountability to God, and his accountability to other men (i.e. society). Thus an individual worships God and executes all his duties as a *khalifah* (vicegerent). This constitutes his primary accountability. Secondary accountability is established through a contract between man and other men. One can regard the transcendent accountability to God as "vertical" accountability and the accountability to other men as "horizontal" accountability. Examples of the latter include agency contracts between the owners and managers, contracts between employers and employees or contracts between superiors and subordinates (Sulaiman, 1998; Hameed, 2000). These accountability perspectives contribute to the ethical development of the *ummah*. Related to the Islamic concept of accountability is the issue of responsibility. Responsibility in Islam is perceived from both individual and community perspectives (Naqvi, 1981). An individual is required to expend his best efforts in order to achieve a better material life. However, at the same time, material well-being must lead to social justice and the spiritual enhancement of society (Sulaiman and Willett, 2003).

Similarly, in the context of management accounting, the achievement of goals should not be visualized solely from the company's perspective. Rather, it should meet the objective of satisfying the needs of the wider economic community. A decision that is profitable to the organization but is harmful to broader society is not permissible in Islam. For example, dumping toxic waste into the river violates the responsibility concept. Similarly, with budget slack (given that it leads to wastage and the inefficient use of resources) the community may be harmed (whether directly or indirectly) by consequent increased costs and shortages. Thus, managers who allow such actions and behaviour fail to carry out the trust (*amanah*) placed upon them as vicegerents (*khalifah*) of God.

Syura (mutual consultation)

In Islam, mutual consultation (*syura*) is fundamental in achieving the ideal Islamic society (Al Buraey, 1990). The *Qur'an* clearly indicates the importance of *syura* in the following verse:

> "…. and consult them in affairs (of moment). Then when thou hast taken a decision, put thy trust in God. For God loves those who put their trust (in Him)."
>
> (Al-Qur'an, 3: 159)

The importance of *syura* is also portrayed by the teachings of Prophet Muhammad. It is reported that the Prophet himself consulted his followers on matters pertaining to the state, politics, wars and international relations (Sulaiman and Willett, 2003). However, although Islam puts great emphasis on the principles of *syura* (mutual consultation) there is no detailed prescription on its implementation. Its basic concepts are therefore interpreted in the context of particular needs and circumstances (Al Buraey, 1990).

In accounting the *syura* principle is illustrated in participative budgeting. It has often been suggested that budgetary participation leads to slack creation. However, in Islam, participation in budget preparation should not necessarily be regarded as an opportunity to create budgetary slack. *Syura* recognizes the opinions of every member of the organization, regardless of their status, thus strengthening the bonds of brotherhood. The objective of s*yura* in accounting implies the sharing of information between managers and subordinates, thus reducing information asymmetry. The practice of *syura* may help to reduce divergence between personal and organizational goals, since every member of the community looks at social benefits as something that also serves individual interest. One would therefore expect a Muslim manager's propensity to create budget slack *not* to be high.

Islam and Budgetary Slack

Budgetary slack refers to the difference between the subordinates' planned performance targets and real performance capabilities (Chow et al., 1991, 1996; Waller, 1988; Young, 1985, Young et al., 1992; Douglas and Wier, 2000). Generally, revenue forecasts are understated while expenses are overstated (Schiff and Lewin, 1970; Dunk, 1993; Fisher et al., 2000). Thus, budgetary slack is a phenomenon, where managers deliberately create the forecasts that are relatively easy to achieve (Lukka, 1988). According to Stede (2000), managers create slack to protect themselves against unforeseen contingencies and improve the probability that budget targets will be met. This may increase the likelihood of receiving a favorable evaluation and associated performance-dependent rewards. Alternatively, managers may create slack to avoid intervention by upper management and the chance of being fired or suffering reductions in bonuses (Merchant and Manzoni, 1989). From this viewpoint, managers are (either directly or indirectly) 'forced' to create slack in the budget targets since the organization treats the budget as a primary tool to evaluate their performance (Stede, 2000).

The consequences of slack creation can be viewed from three different perspectives: organizational behavior, economics and agency theory. From an economic perspective, slack leads to inefficiency and wastage of resources (Abas, 1999). In this sense, slack-building behavior is regarded as synonymous with the

behavior of a spendthrift institutionalized within the organization. Islam is strongly against such behavior. Allah warns Muslims in the following verse of the *Qur'an*:

> "….but squander not (your wealth) in the manner of a spendthrift. Verily spendthrifts are brothers of the Evil Ones; and the Evil One is to his Lord ungrateful"
>
> <div align="right">(Al-Qur'an, 17: 26-27)</div>

Secondly, from an organizational behaviorist perspective, slack creation is perceived as a defensive, tactical response to deceptive behavior (Abas, 1999). Slack may be regarded as synonymous with cheating. Cheating or deceptive behavior is not accepted in Islam. God warns cheats of a great punishment in the hereafter as in the following verse:

> "Woe to those who deal in fraud. Those who, when they have to receive by measure from men, exact full measure. But when they have to give by measure or weight to men, give less than due. Do they not think that they will be called to account? On a Mighty Day; A Day when (all) mankind will stand before the Lord of the Worlds"
>
> <div align="right">(Al-Qur'an, 83:1-6)</div>

Thirdly, from the perspective of agency theory, slack creation is associated with the self-interested behavior of managers. Such behavior may diverge from organizational interests. The assumptions of a self-interested manager behaviour underlying agency theory violate the concept of justice in Islam. The manager is seen to be abusing the trust that God has placed in him as a vicegerent. Transcendent accountability is particularly important in Islam. In Islam, religious and business matters are not regarded as existing in separate compartments. Further, every material achievement is an outward expression designed to achieve a spiritual objective that eventually gives meaning to existence (Sulayman, 1993). Rodinson (1974) describes this attitude as follows,

> (the) Koranic faith is *also* something *more* than intellectual conviction and assent to the truths revealed by the Prophet. This conviction gives rise to an attitude that commits the whole man. Faith brings peace to the soul, releases one from fear, gives patience, endurance, resignation to the insults and ill-treatment suffered in God's cause, humility and the will to risk all for God and carry out good works (p 83).

Self-interest in an Islamic framework denotes a freedom which is coupled with responsibility. Islam regards self-interest on the same plane as collective interest. Thus, an individual must be sensitive to the consequences of the exercise of his own rights (Naqvi, 1994) so that when individual freedom is coupled with responsibility, self-interest is kept in check. Given this, one would expect Muslim managers to have a lesser propensity to create budgetary slack than a non-Muslim manager.

Another deterrence to slack creation is contained in the Quran. The Quran warns Muslims that the actions and inactions of every individual in this world will be recorded and will be either rewarded or punished on the Day of Judgment. This is stated in the following verse:

> " In whatever business thou mayest be, and whatever portion thou mayest be reciting from the Qur'an, and whatever deed ye (mankind) may be doing, We are witnesses thereof when ye are deeply engrossed therein. Nor is hidden from thy Lord (so much as) the weight of an atom on the earth or in heaven. And not the least and not the greatest of these things but are recorded in a clear record".
>
> (Al-Qur'an, 10: 61)

Further, Islam is for full disclosure (Baydoun and Willett, 1998) and against information asymmetry (where information can be misused or exploited), as evidenced in the following verse:

> Seest thou not that God doth know (all) that is in the heavens and on earth? There is not a secret consultation between three, but He makes the fourth among them, nor between five but He makes the sixth, nor between fewer nor more, but He is in their midst, wheresoever they be: in the end will He tell them the truth of their conduct, on the Day of Judgment. For God has full knowledge of all things.
>
> (Al-Qur'an, 58: 7)

The creation of budgetary slack that arises from an individual's self-interested behavior is thus not permissible in Islam as it violates Islamic accountability and responsibility concepts. This creates obligations for Muslim managers to set budget targets accurately[1].

On the basis of the above, it is contended that a manager's religious affiliation influences the extent slack to which is created. The implied hypothesis, stated in the null, is:

Ho1: There is no relationship between religion and the propensity to create budgetary slack.

On Religiosity

The issue of whether an individual professing a particular faith religiously follows the teachings of that faith is clearly of import to the preceding discussion. A person may profess to be Muslim but may not be committed to Islam. Prior research examining the relationship between religiosity and ethical behavior tends to find little evidence of an effect. Smith, Wheeler and Diener (1975) for example, find no differences between religious and non-religious persons regarding dishonesty. Similarly, Hegarty and Sims (1978, 1979) found no relationship between a person's religious commitment and ethical business practices (Weaver and Agle,

2002). Kennedy and Lawton (1998) found no support for the contention that highly religious students engage in less unethical behavior than their less religious counterparts. However, Agle and Van Buren (1999) reported a small positive association between religious beliefs and attitudes toward statements of corporate social responsibility (Weaver and Agle, 2002).

The negative results of the studies discussed above, according to Weaver and Agle (2002), may be due to the relationship between religion and ethical behavior being dependent upon the issues measured and measures of religiosity used. They argue that there exist two potential factors that can help explain the results: *religious identity salience* and *religious motivational intention*. Religious identity salience refers to the extent religion determines one's self-identity. The larger the role religion plays in influencing one's identity and behavior, the more difficult for other factors to diminish the influence of religion on that person. On the other hand, religious motivational orientation represents the motivation that explains an individual's reasons for practicing a particular religion. This could either be *intrinsic* or *extrinsic*. An intrinsically oriented person treats religious beliefs and practices as ends in themselves. For such a person, there is no hidden objective to practice the teachings of a religion. The commitment to religion by itself is beneficial and obligatory. An extrinsically oriented person, on the other hand, practices the teachings of religion as a means to an end. For instance, an individual who goes to church to satisfy social needs, to foster valuable connections in a community or to achieve some other benefits is extrinsically motivated (Weaver and Agle, 2002). Thus, the relationship between religiosity and ethical behavior is moderated by the intrinsic or extrinsic motivational intention of the individual.

The foregoing concepts present some parallels to Geertz's (1968) suggestion regarding the distinction between the 'scope' and 'force' of religion. The former refers to the range of social contexts within which religious considerations are regarded, while the latter relates to the thoroughness with which such a pattern is internalized in the personalities of the individuals who adopt it. In the present context, one would expect less dysfunctional behavior amongst managers who are intrinsically motivated or where the 'force' of religion is strong.

Since an individual's commitment to a religion (i.e. religiosity) may influence the individual's behavior in performing certain actions, the second hypothesis in this study focuses on whether the religious commitment of Muslim managers influences their propensity to create budgetary slack. This is represented in the following proposition, again stated in the null form:

Ho2: There is no relationship between religiosity and the propensity to create slack amongst Muslim managers.

Research Methodology

Research Instrument

Budgetary slack is measured using a five-item, Likert scaled instrument. The questions are replicated from Stede's (2000) and Dunk's (1993) studies. The first four items are measured using a seven-point Likert-scale ranging from '1' (definitely false) to '7' (definitely true). The fifth item, asking respondents about the attainability of their budget targets, has a 5 point scale ranging from '1' (very easy to attain) to '5' (impossible to attain). The higher the scale, the higher is the budgetary slack[2]. The five items are as follows:

i.   I succeed in submitting budgets that are easily attainable;
ii. Budget targets induce high productivity in my department;
iii. Budget targets require costs to be managed carefully in my department;
iv. Budget targets have not caused me to be particularly concerned with improving efficiency in my department;
v.   The budget target for me is:
    1. very easy to attain;
    2. attainable with reasonable efforts;
    3. attainable with considerable efforts;
    4. impossible to attain.

Religious Affiliation and Religiosity

Religious affiliation indicates managers' religion, chosen from a list provided. Religiosity is generally more difficult to measure. Islam regards every action as an *ibadah* (religious duty) as long as it is done for the sake of glorifying God. The first measure of religiosity asks Muslim managers if they regard working as a form of *ibadah* (religious duty). We posit that the more the managers perceive that working forms part of a religious duty, the less they will build slack into the budgets.

The Qur'an and Sunnah[3] guide the behaviour of Muslims. Hence, the second aspect of religiosity asks respondents if they perceive their code of ethics as being derived from these two sources (i.e. is their code of ethics guided by their faith?). The more the managers perceive that religion guides their ethical code of conduct, the less slack is expected to be built into budgets.

The last three statements focus on aspects of Islam that every Muslim regards as forbidden activities (*haram*). Religiosity is thus measured by managers' perceptions of five aspects of Islamic religious beliefs as follows:

i. I perceive working as part of my commitment to God;
ii. My ethical code of conduct is guided by my religion;
iii. Gambling should be banned;
iv. Interest (*riba*) should be banned;
v. Alcohol consumption in moderation is acceptable.

Respondents were asked to indicate, on a scale of '1' (strongly disagree) to '7' (strongly agree), the extent they agreed with each of the statements. A response of '7' for the first 4 items and '1' for the last item would indicate a respondent most committed to Islam.

Sample

Since budgeting is a small part of a wider set of organizational controls, the focus of the study is restricted to a single organization. This controls for the variation effects caused by differences in practices across organizations (Otley and Pollanen, 2000). The specific setting is most likely to increase understanding of the manner in which variables interact, and which can be later used to inform a more general study (Otley and Pollanen, 2000). Access was granted by the largest Malaysian based Korean company, which has factories in several states in Malaysia. Questionnaires were mailed to its managers.

The case company has a total of four business divisions and ninety-one departmental managers. Different organizational levels denote different types of decision-making and the focus of this study is limited to second-level managers for two main reasons. First, these managers are directly involved in the budget setting process. Second, variation in the job scope is controlled by focusing only on a specific group of managers.

Results

Response Rate

Out of 91 departmental managers, 64 participated in the survey. This gives the overall response rate of 70%. One respondent's questionnaire was not used because the respondent answered in a 'straight-line pattern', suggesting the responses may be invalid. The majority of the managers are male (74.6%), aged above 30 years (90.5%) and have a university degree or a professional qualification (84.1%). Twenty-six managers are Muslims, 20 Buddhists, 3 Christians, 5 Hindus and 9 'free thinkers'. In terms of ethnic composition, 26 are Malays, 35 Chinese and 3 Indians. A summary of the demographics is presented in Table 1.

Table 1: Business Governance and Management Accounting

Category	Description	N	%
Gender	Male	47	74.6
	Female	16	25.4
Age Group	<30	6	9.5
	30-40	51	81.0
	41-50	5	7.9
	51-60	1	1.6
Academic Qualification	Degree	48	76.2
	Professional Qualification	5	7.9
	Diploma	10	15.9
Religion	Islam	26	41.3
	Buddhism	20	31.7
	Christianity	3	4.8
	Hinduism	5	7.9
	Free thinker	9	14.3
Ethnic Group	Malay	26	41.3
	Chinese	31	49.2
	Indian	6	9.5

Analysis

A factor analysis on the five items used to measure budget slack did not load on a single factor. Consequently, items with a loading of less than 0.5 were eliminated. Two items, 'budget targets require costs to be managed carefully' and 'budget targets have not caused the managers to be concerned about improving efficiency' were discarded. A second factor analysis was performed on the remaining three items but, again, the three items did not load on a single factor. This time, item 2 'budget target induces high productivity' was eliminated. This left a measure for budgetary slack with two items (item 1 and item 5). A third factor analysis showed that the two items loaded on a single factor. These two items are 'the submission of easily attainable budgets' (item 1) and 'the degree of the budget attainability' (item 5).

1. Do Muslims and non-Muslims differ in their propensity to create budget slack?

The overall mean for budget slack (Table 2) is 4.08, which may be interpreted as indicating that slack is likely to exist in the sample studied. There are no significant differences between budget slack created by Muslims and non-Muslims. These results are consistent with Sulaiman's (1998) findings. Accordingly, we fail to reject the first hypothesis. Thus, it appears that Muslims and non-Muslims are no different where business matters are concerned.

Table 2: Descriptive Statistics of Budgetary Slack

	Description	N	Med	Mean	Std Devn	Actual range	
						Minimum	Maximum
Budgetary Slack	**Panel 1: Overall**	63	4.8	4.08	1.38	1.00	7.00
	Panel 2: Religion						
	Muslims	26	4.55	4.63	1.25	2.4	7
	Non-Muslims	37	4.80	4.62	1.13	2.4	7

2. Are Muslims and non-Muslims different in their underlying values?

We next examined if Muslims and non-Muslims differ in their underlying values pertaining to the five specific aspects of religiosity. There were significant differences in all the measures (see Table 3). This appears to confirm that, while Islamic beliefs figure prominently in the attitudes of Muslims, its influence does not necessarily extend to the realm of business.

Table 3: Perception Differences Between Muslims And Non-Muslims

To what extent do you agree with the following statements?	Muslims				t-test p-value	non- Muslims			
	Mean	Std. Dev	Min	Max		Mean	Std Dev	Min	Max
1 Working forms part of religious duty (*ibadah)*	6.85	0.46	5	7	0.000	3.67	1.76	1	7
2 Religion guides ethical code of conduct	6.85	0.37	6	7	0.000	4.32	1.90	1	7
3 Gambling should be banned	6.27	1.95	1	7	0.000	4.89	2.25	1	7
4 Moderate consumption of alcohol is acceptable	1.46	1.30	1	7	0.000	4.46	1.98	1	7
5 Interest should be banned	5.96	2.18	1	7	0.000	3.33	2.03	1	7

3. Is there a relationship between religiosity and slack creation?

The second hypothesis focuses on Muslim managers only. The Spearman correlation was computed between the slack creation and religiosity measures for Muslim managers. The results are summarized in Table 4. The negative correlation suggests that the more religious Muslim managers show less of a propensity to create slack. However, since the statistic is not significant, we cannot to reject the second hypothesis at the 5% level of significance.

Table 4: Religiosity and Slack Creation for Muslim Managers

Spearman's rho	p-value
-0.059	0.260

Discussion

The negative results obtained in this study may be due to different perceptions of what is a "budget slack". Though many authors have argued that slack is dysfunctional (Lal et al., 1996; Douglas and Wier, 2000), there are some who advocate that slack is a necessity to the organization (Davila and Wouters, 2004; Lukka, 1998), particularly in addressing uncertainty. This may explain why there appears to be no difference in the perceptions of Muslims and non-Muslims regarding the creation of budget slack. Other explanations are also plausible.
The first is the existence of intervening variables, such as the intention to create slack and the consequences of slack creation. These variables were not measured in this study. Another plausible reason is that the results of our study indicate that the spirit of capitalism thrives, no matter what religious faith one subscribes to. Materialist philosophy is, perhaps, so firmly embedded in the Muslim mind that although Islam may have an effect on how an individual behaves, economic and social pressures exercise a dominating influence over attitudes prevailing in commercial life (Rodinson 1974). Rodinson observes that,

> "among the merchants of Genoa or Venice in the middle ages, the shipowners and bankers of Amsterdam during the Renaissance, the pioneer industrialist of the Industrial Revolution in eighteenth century Britain, the financial magnates of the imperialist era, and the American businessmen of today, we find the same feverish chase after profit, the same quasi-ascetic dedication of their lives to this pursuit" (p 217).

Geertz's (1968) distinction between religiousness and religious-mindedness may provide a further explanation for the results of our study. Religiousness is not merely knowing the truth, but embodying and living it. Religious-mindedness, on the other hand, offers reasons for one's beliefs. Hence, if these two concepts are related to the results that have emerged from this study it might be concluded that the Muslim respondents illustrate a religious-minded disposition as opposed to a religious disposition.

Finally, the results of this study are consistent with the 'liberal' theory of social change and development. According to this theory, all societies under the influence of modern science and technology will eventually become urban in their demographic distribution, industrial in their economies, democratic in their political structures and secular in their thoughts, values and culture (Mehmet, 1990)[4].

Conclusion

This study examines whether Islamic values appear to have any influence on the propensity of managers to create budgetary slack. Data was gathered using a questionnaire survey. Sixty- three (63) departmental managers of the largest Malaysian-based Korean company were surveyed. The results suggest that Islamic values do not influence the propensity of managers to create slack. Further, the findings do not provide support for the contention that religiosity (or religious commitment) restrains Muslim managers from building slack into the budgets. The study has several limitations including the measures used, reliance on respondents-perceptions, the non-random sample and its size, all of which make the results non-generalizable. Nevertheless, they raise several issues that need to be examined in future research. For example, what is the influence of religiosity on other behaviors such as organizational commitment or productivity? What is the intention behind the incorporation of budgetary slack and what are the consequences resulting from budgetary slack creation? How do managers spend the excess resources built into the budgets? Is slack incorporated in budgets for personal or organizational purposes? Most important of all, perhaps, is whether the business conduct of Muslims in a broader context, is as uninfluenced by Islamic values as it appears to be in this study of the creation of budget slack.

Notes

[1] There may be rare circumstances where slack creation is permissible. Managers may, for instance, promote innovative projects by being overoptimistic in their forecasts. This action may not necessarily constitute dysfunctional behavior but may buffer uncertainty, and thus be acceptable (Davila and Wouters, 2004; Stede, 2000).

[2] For statistical analysis, the five-point scale is transformed to a 7-point scale by multiplying each value by 7/5.

[3] The *sunnah* may be considered as the operationalisation of the principles in the *Qur'an*. It refers to Prophet Muhammad's customs, his words, deeds and habitual practices. The sunnah is remembered and transmitted by a report known as the *hadith*.

[4] Secularism refers to the eradication of religion as an institution in human society and erosion of man's faith in the divine and the transcendental (Haq, 1986).

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