

The Moderating Effect of Organizational Characteristics on the Relationship Between Budgeting Process and Performance of Churches in Kenya

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Abstract

Organizational Characteristic is an essential ingredient for moderating budgeting process. The study sought to establish the moderating effect of Organizational Characteristics on the relationship between budgeting process and performance of Churches. While budgeting process is important to organizations, previous studies have reported conflicting results regarding the existence of budgeting process in Churches. Furthermore, there has been little focus on how organizational characteristics moderate the relationship between budgeting process and performance of Churches. Also, not many studies linked budgeting process and organizational characteristics to the performance of churches, and none combined the three variables in one study. It was hypothesized that there is no moderating effect of Organizational Characteristics on the relationship between budgeting process and performance of Churches in Kenya. The study used positivistic research design and descriptive design. Collected data from 104 Churches in Kenya were analyzed using statistical tests and correlational analysis. Multi regression analysis was used to test the hypothesis. This study finds that organizational characteristics have moderating effects on the relationship between budgeting process and the performance of churches in Kenya. The study further found that budgeting process is adequately practiced while organizational characteristics affected budgeting process resulting in a positive performance. The study finds that Age, Size, technology, leadership style affect the performance of Churches. The study recommends that

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Churches focus on strengthening technology and leadership styles to enhance budgeting process and improve performance.

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1. Introduction

Organizational Characteristics form meaningful basis and means of achieving high performance (Oyewobi, Windapo, Rotimi, and Jomoh, 2016). The success of the budgeting process is determined by factors surrounding it such as leadership styles and available technology to help in historical data and forecasting. Therefore, organizational characteristics become important as they drive all the processes in an organization. For instance, leadership style provides space and supportive climate for budget participation and sets the tone for internal controls (Lin, 2007). The age of an organization suggests that systems and processes such as budgeting process have been built over time while size suggests the bigger the organization, the more the budgeting process becomes sophisticated. Despite being perceived as sacred, Churches are confronted by several challenges that revolve round inadequate abilities for Church leadership to manage resources and provide required financial controls (Tanui, Omare, and Bitange, 2016). However, Churches in Kenya continue to experience numerical growth as reported by Nkonge (2013) arguing that character of its leadership determine the success of an organization. Churches currently face significant challenges due to an ever-changing world that includes culture, technology, and behavioral patterns (Tanui, Omare, & Bitange, 2016; Boggs & Fields, 2010; Barna, 2000 and Rainer, 1993). To solve the challenges, Boggs and Fields (2010) assert that positive changes in organizational systems are necessary. However, organizations need to determine necessary system changes that have a greater impact on their performance. Churches have used attendance and membership as indicators of growth and leadership effectiveness (Carter, 2009; McKenna and Eckard, 2009). Unlike in other organizations, the church goal is to increase numerical numbers and win souls for the kingdom, and this explains why churches focus on membership growth more than other performance measures.

According to Jacobs (2005) the perception of churches being different lead to unstructured budgeting process in churches that is attributed to the sacredness of the ministry and the perception that accounting is secular and therefore less relevant. The unique nature of churches was previously supported by (Duncan, Flesher and Stock, 1999) who argued that Churches have unique characteristics that include the absence of stock ownership, a single measure of overall performance and professionals with little or no training in business management. However, McKenna and Eckard (2009) demonstrated in their study that membership growth can be a single measure of church performance. Pollock (2010) some priests argue that budgets limit God and therefore the

process of budgeting in a church setting is viewed negatively. However, organizations that fail to confront the reality of money to obtain and account mission resources, compromise the fulfillment of their mandate (Irvin, 2005). According to Irvin, budgeting as an accounting tool is valuable in realizing the spiritual vision. On the other hand, Organizational Characteristics play a moderating role of providing an enabling environment for budgeting process and opportunity for good performance.

Little attention has been paid to organizational characteristics as a moderating variable to budgeting process and performance of religious organizations such as Churches. The purpose of this study is to extend the research on budgeting process and organizational characteristics in Churches by investigating the moderating effect of organizational characteristics on the relationship between budgeting process and the performance of Churches. The budgeting process is measured using budget characteristics namely; Budget planning, Budget Participation, Budget Communication and Budget Evaluation. Organizational characteristics are measured using five components namely Size, Age, Leadership Style, Technology Advancement and involvement of leadership in the budgeting process. Church Performance is measured using Membership Growth.

2. Literature Review

Studies have shown the importance of budgeting process to performance. Kamau, Rotich, and Anyango, (2017) argued that budget characteristics such as budget participation, sophistication, feedback and budgetary control, affect budget performance and budget participation had the greatest effect. The results were consistent with the findings by Lambe (2014) who focused on appraising the impact of budgeting and planning on the organizational performance and found that budgeting and planning significantly affected the performance. However, despite reporting a significant effect of budgeting process on performance Lambe (2014) found the level of budget participation was low, meaning that other factors of budget characteristics had a greater effect. Mohamed and Ali (2013) argued that strategic budgeting, participatory budgeting, budgetary control have a positive relation to firm performance and suggested participatory budgeting had a greater effect. According to Warue and Wanjira (2013), lack of budgeting and financial discipline lead to poor performance. They further argue that if workers are involved in the budgeting process, then the overall performance increases. While budget participation features prominently as having a great impact on performance, other factors such as culture may weaken budget participation and still result in good performance. The follows the findings by Hosen, Hui, and Sulimani, (2011) who focused on the relationship between the level of budget participation and firm performance found no significant association between the variables because of the influence of culture in the budgeting process. However Shields and Shields (1998) argued that budgetary participation enhance an employee's trust, sense of control, and involvement with the

organization, which then leads to more acceptance and commitment to the budget decisions and in turn causes improved performance.

Kimunguyi, Memba, and Njeru, (2015) argue that good budget management practices positively influence financial performance and recommended development and implementation of sustainable policies and regulations for budget management. This study was on non-governmental organizations and suggested lack or inadequate budget management policies in non-governmental organizations under which the Churches are categorized. It is unlikely that an organization would have good budgeting practice that influences performance without some guidelines on the budget process. As Tunji (2013) argue, the budgeting process is a continuous management activity and efficient budgeting policies positively impact on the performance of companies alluding to the fact that lack or ineffective budget policies would have a negative effect on performance. According to Silva and Jayamaha (2012), efficient organizations maintained sound budgetary processes significantly contributing to higher performance and argued that accounting and finance professionals should focus and increase knowledge on the budgeting process to support managers in enhancing performance specifically. The study further found that Budgetary Planning, coordination, control, communication and evaluation had a positive impact on performance. Joshi *et al.*, (2003) reported the significant relation between budget planning, control, and performance and argued that the inability of the department and ineffective planning be the main reasons for failing to meet set targets. They also found that budget variance report was used to evaluate manager's abilities, timely recognition of a problem and to improve the next budget period. These studies show that budgeting process characteristics namely; budget planning, participation, communication, and evaluation are fundamental but differs on the level of effect to performance. Most studies focused on budget participation with little focus on other characteristics.

Studies have shown the importance of organizational characteristics. Oyewobi, et, al., (2016), argue that organizational Characteristics form meaningful basis and means of achieving high performance. They further argue that the style of management and organizational structure influence firm performance and that organizational characteristics moderate competitive strategy and performance of the organization. The study suggests organizational characteristics as a determinant of performance meaning it moderates all processes that impact on performance. Tanase (2013) pointed out that leadership style is important in budgeting participation because it improves the performance of subordinates and the overall performance of an entity. The study suggests that participatory budgeting may motivate employees, increase their performance, their satisfaction and may help the entity to obtain more realistic budget. The leadership style, according to the study, creates a positive attitude towards budgets thus improving performance during implementation. Therefore, organizations that nurture organizational characteristics have better performance (Kisengo and Kombo, 2014). While other factors such as external environment impacts on the performance, Dragnic (2014) in his study reported that internal environment that included size and technology had a greater impact

on performance. Furthermore, according to Abudho, Njanja, and Ochieng (2013), one of the most important organizational characteristic in determining success is technology. Warue and Wanjira (2013) suggested that accounting systems positively affect budgeting process.

The study resonates to that of Njuguna, Munyoki, and Kibera, (2014) that found that proper leadership, budgeting, and management systems lead to organizations attaining the desired level of performance. Single organizational characteristic weakens the overall impact to performance, but when combined, the effect is significant. Abudho, Njanja and Ochieng' (2013) argued that organizational characteristics are interlinked and influence performance. The study further found that despite the different leadership styles, four characteristics emerged namely marketing and planning, technology, structure, and culture. According to them technology increases convenience and reduces the cost of labor.

The size of an organization determines the systems they put in place to drive their business. Duncan et al. (1999) found size effect on internal controls of Churches where larger churches had better controls than smaller ones. Cornell, Johnson, and Schwartz (2013) argue that the apparent difference is as a result of the budget size and affordability to hire professional accountants. These studies are consistent to Odom and Boxx (1988) who found that size was related to environment and growth of Churches. Furthermore, Saida, Abdullah, Uli & Mohamed (2014) argue that an organization's size, defined as the number of people served or its capital base, suggesting that high budgets require robust process and therefore, becoming an important variable that affects performance. According to Pehrsson (2012), the organization's age does matter in performance. Kisengo and Kombo (2014) agreed with this view and asserted that age and size have a positive relationship with the performance of an organization and cannot be ignored. Joshi *et al.*, (2003) in their findings found that size did not affect budget participation in the process of budgeting.

There is little consensus on how to measure church performance (Boggs and Fields, 2010). Unlike profit organizations, the church goal is to increase membership numbers and win souls for the kingdom without necessarily focusing on financial gain. Therefore, churches focus on membership growth as the best measure of performance (Carter, 2009; McKenna and Eckard, 2009). Studies such as (Ellas, 1997 & Watts, 1996) have used membership growth in their study. Bruce et al. (2006) found that churches likely to grow when worshippers are growing spiritually and see their leaders as empowering. The findings suggest that churches that invest resources in spiritual and empowerment of the worshippers are more likely to grow. This follows an assertion by Iannaccone et al. (1995) that suggested performing church as the one that adapts a model of growth that includes variables such as organizational goals and commitment. As Lau and Sholihin (2005) argue, adoption of nonfinancial performance measures such as leadership styles may lead to favorable job satisfaction because nonfinancial performance measures show

consideration for subordinates' needs and interests, and act in a way that protects the subordinates' interests. According to Otley (2003), when monitoring their firm performance, managers tend to place relatively less emphasis on conventional financial measures of performance such as return on investment or net profit. Ongore and Kusa (2013) argue that management efficiency, capital adequacy, asset quality and liquidity management as internal determinants while economic variables such as growth rate, Gross Domestic Product (GDP) and Inflation are external determinants of performance. According to Medcalfe and Sharpe (2012), congregational growth is associated with Organizational Characteristical factors. Studies such as Watts (1996) found that church growth had a positive relationship with organizational characteristics related to culture, teamwork and continuous improvement. Furthermore, Odom and Boxx (1988) argued that bigger and faster-growing churches use formal planning approaches than smaller ones.

3. Research Problem

Churches operate in some sort of free environment with the final authority in some Churches residing on an individual (Medcalfe and Sharpe, 2012). However congregational growth is associated with Organizational Characteristical factors raising the question of whether organizational characteristics in the church context affects budgeting process and performance. There exist conflicting results on whether organizational characteristics affect the performance. Studies such as (Medcalfe & Sharpe, 2012; Boggs & Fields 2010; Duncan *et al.*, 1999; Watts, 1996; Odom & Boxx, 1988) reported an association of organizational characteristics to internal systems and performance. However, a study by Joshi *et al.*, (2003) indicated that the size does not have any effect on budget participation. According to Laughlin (1988), churches do not usually view budgets as binding on future endeavors, perhaps due to lack of appropriate accounting professionals in churches. However, Irvin (2005) reports that churches used budgets as a surrogate for the spiritual goals and for measuring success and accountability. Studies such as (Mohamed and Ali, 2013; Isaboke and Kwasila, 2016; Tunji, 2013) reported a positive relationship between budgeting and performance raising the question of whether studies on churches would have a similar result given their sacred nature of their operations. According to Ventura and Daniel (2010), financial disclosure in churches is infrequent, and church leaders trust their employees to act in good faith and integrity when managing financial resources. Furthermore, in his study, Booth (1993) found that church leaders are ill-prepared to provide required financial management leadership within churches and elicited the current unresolved debate of whether accounting is an intrusion to the church ministry that creates conflict between the sacred and the secular nature of accounting.

Therefore, it remains unclear on whether organizational characteristics have a moderating effect on the relationship between budgeting process and the performance of Churches.

Furthermore, the debate on whether budgeting processes exist and are effective in churches is unconcluded. The study sought to answer the following question: - What is the moderating effect of organizational characteristics on the relationship between Budgeting process and the performance of Churches in Kenya?

4. Study Objective

The study objective is to determine the moderating effects of organizational characteristics on the relationship between budgetary process and performance of churches in Kenya.

5. Conceptual Framework and Hypotheses

The conceptual framework has three perspectives: First, the budgeting process perspective; which involves measurement of various budgeting process characteristics that affect performance and establishing the relationship between budgeting process and church performance. These features are budget planning, participation, communication, and evaluation, which were used to evaluate the budgetary process in the study. The budget characteristics have been used in previous studies such as Silver and Jayamaha (2012) and Joshi et al. (2003) and found as appropriate to relate with performance.

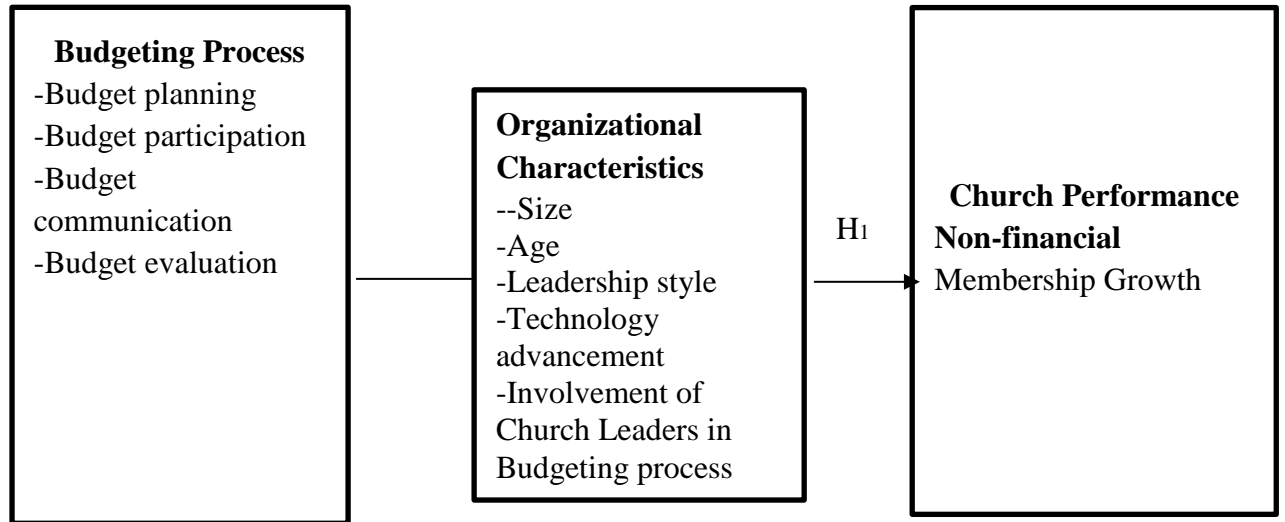
The second perspective is the Organizational Characteristics as moderating variable. It was expected that Organizational Characteristics influences the relationship between budgeting process and performance of Churches. The measurement metrics will entail church characteristics: size, age, leadership styles, technology and involvement of church leaders in the budgeting process. These characteristics were used in line with previous studies such as Warue and Wanjira (2013). Previous studies on church environment, budgeting, and performance such as Odom and Boxx, (1988) and Cornel et al. (2013) have used similar metrics in their study.

The third perspective is organizational performance whose measure metric is membership growth. According to Boggs and Fields (2010) church growth is most appropriate and commonly used measure for performance in Churches. They argued that church's long-term emphasis is on membership growth and expanded outreach. Other studies that have used growth as a measure are (Baumgartner, 1990; Ellas, 1997; McRaney, 1992; Watts, 1996).

Independent Variable
Variable

Moderating Variable

Dependent



H1: There are no moderating effects of organizational characteristics on the relationship between budgetary process and performance of churches in Kenya.

6. Churches registered in the National Council of Churches of Kenya and Evangelical Alliance of Kenya

Churches are a community of those called to acknowledge the Lordship of Jesus Christ and to collaborate in historic mission for the coming of the Kingdom of God (McBrien, 1970). National Council of Churches of Kenya (NCCCK) is the national umbrella organization for Protestant churches established in 1913 to facilitate the united mission of the Christian Church in Kenya. NCCCK had 29 registered Church members as of December 31st, 2016. EAK is the umbrella organization for evangelical churches in Kenya established in 1975 with a purpose of empowering the evangelical churches to bring God's transforming grace to the people of Kenya. EAK had 68 registered members as of December 31st, 2016.

7. Methodology

The study use of positivist philosophy, as it allowed theory testing through the formulation of hypothesis. The correlational descriptive research design was used since the objective was to establish significance in associations among variables if existing at given point. Also, a cross-sectional survey was adopted because it provides a snapshot

useful for planning for change and data collection occurred at one point in time to describe things as they are while extracting the idea of constructs at different times by adding variables. The population of this study was all churches registered as members of NCKK and EAK. There were 29 and 68 registered church members in NCKK and EAK respectively as at December 2016. Also, 11 non-member Churches were targeted in the pilot making an aggregate target of 108 Churches. Due to the small size of the population, there was no sampling, and the study was census meaning inclusion of all the churches registered under the two umbrella bodies. The unit of analysis was the church as a whole. The use of this unit of analysis is consistent with the stated objectives, and it took a top-down perspective on budgeting and organizational characteristics in churches about performance (Irvin, 2005).

Both primary and secondary data collection were used in this study covers the period 2012-2016. The structured questionnaire was administered in hard copy and where requested, electronic version. Studies such as Khomba (2011) have used this approach and found it successful. The target respondents were top executive members from each of the churches. According to Jye & Castka (2009), senior executives appropriate respondents since they shape the destiny of organizations. Obtained church growth data was from the Church's register of members as at January 1st 2012 and December 31st, 2016.

Summary of the study operationalization is as shown in Table 1.

Variable	Indicator	Measurement scale	Operationalization	Questionnaire Reference	Supporting Literature
Budgeting Process	Budgetary Planning	Interval	Extent of planning before budgeting begins	Q2.7C to Q2.7I	Kimunguyi et al., 2015; Mohamed & Ali 2013; Kamau et al. 2017; Silva & Jayamaha, 2012; Joshi <i>et al.</i> , 2003)
	Budgetary Participation	Interval	Extent of functional managers involvement in the budget process	Q2.7J to 2.7 N	
	Budgetary Communication	Interval	The extent to which budget information is available to staff.	Q2.7O to Q 2.7T	
	Budgetary Evaluation	Interval	Budget revisions	Q2.7U to Q2.7X	
Organizational Characteristics	Size	Nominal	Extent to which size helps improve budgeting process	Q2.7A	Warue and Wanjira, (2013), Joshi <i>et al.</i> , 2003 Cornel et al. (2013)
	Age	Nominal	Extent to which age affects budgeting process	Q2.7B	Warue and Wanjira, (2013),
	leadership style	Nominal	The extent that leadership affects budgeting process and Internal Controls.	Q4.2A to Q4.2E	Adefila et al. (2010)
	Technological advancement	Nominal	Adoption of technology in Churches	Q4.2F to Q4.2I	Warue and Wanjira, (2013), Gagnon and Dragon, (1998)
	Involvement of Church Leaders in budgeting	Nominal	Extent to which Church leaders are involved in the budgeting process	Q4.2J to Q4.2Z	Mawudor, (2016)
Performance	Membership Growth	Ratio	Average membership growth for the past five years	Q5.1 & 5.2	Boggs and Fields, (2010); Baumgartner, 1990; Ellas, 1997; McRaney, 1992

The Data Analysis Model

Based on the conceptual framework, the study used multiple linear regression models as follows: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$

Where y = Performance

X_1 = Budgeting process

X_2 = Organizational Characteristics

e = error term

8. Main Results

8.1. Descriptive Statistics

Table 2 below shows descriptive statistics on the budgeting process. The respondents were asked to rank responses under each characteristic on a scale of 1-5 where one strongly disagreed, and five strongly agree. The questions under each budget characteristic were designed to establish the level of practice in Churches. The aggregate mean was used to determine the percentage practice for each characteristic by calculating aggregate mean against the maximum score.

The results show budgeting process average mean of 80%. The average mean for each characteristic was: Budget Planning 85%, Budget participation 79% Budget communication 78% and budget evaluation 77%. The results further showed budget planning with a mean of 4.23, standard deviation, 0.700, skewness -0.526 and kurtosis -0.157 implying that distribution is flatter than normal and towards the left. Budget participation reported a mean of 3.96, the standard deviation of 0.847, the skewness of -0.807 and kurtosis of 0.869, Budget communication a mean of 3.88, the standard deviation of 0.728, the skewness of 0.127, Kurtosis of -0.405. The budget evaluation reported a mean of 3.87, the standard deviation of 0.860, skewness -0.951 and Kurtosis 1.901.

Table 2: Statistics of Budgeting Process Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis		Practice
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error	
Budget Planning	104	4.23	.700	-.526	.237	-.157	.469	85%
Budget Participation	104	3.96	.847	-.807	.237	.869	.469	79%
Budget Communication	104	3.88	.728	-.127	.237	-.405	.469	78%
Budget Evaluation	104	3.87	.860	-.951	.237	1.901	.469	77%
Valid N (listwise)	104							80%

Source: Research Data 2017

Table 3 below shows descriptive statistics regarding Organizational Characteristics. The results indicate that organizational characteristics have an average mean of 82%. The results further show an average mean of 85% and 87% for the churches that believe age and size respectively affect budgeting process. Technology and Leadership styles had an average mean of 84% and 84% respectively while the involvement of church leaders in the budgeting process had a mean of 71%. The detailed results were as follows; Age reported a mean of 4.24, standard deviation .876, skewness -1.288 and Kurtosis 1.693. Size reported a mean of 4.34, standard deviation .758, skewness -1.062 and Kurtosis of 1.693. Both Leadership styles and technology reported a mean of 4.21, the standard deviation of .634, skewness -.203 and Kurtosis -.592.

Table 3: Descriptive statistics regarding Organizational Characteristics in Churches

	N	Mean	Std. Deviation	Skewness		Kurtosis		Practice
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error	
Age	104	4.24	.876	-1.288	.237	1.693	.469	85%
Size	104	4.34	.758	-1.062	.237	.907	.469	87%
Technology	104	4.21	.634	-.203	.237	-.592	.469	84%
Leadership Style	104	4.21	.634	-.203	.237	-.592	.469	84%
Involvement of Leaders in Budgeting	104	3.54	1.051	-.257	.237	-.544	.469	71%
Valid N (listwise)	104							

Source: Research Data 2017

Table 4 below shows the frequency of Church Performance. Data from church reports was used to indicate their population as of January 1st 2012 and December 31st 2016. The results were then grouped into five classes relating to average growth for the last five years. The classes were below 20%, 21-40%, 41-60%, 61-80% and over 80% labeled as 1,2,3, 4 and 5 respectively. Results show that 87.5% of churches grew by between 21 to 40% and 20.6% by between 41-60%.

Table 4: Frequency of Church Performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 20%	1	.1	1.0	1.0
Valid 21-40%	91	9.2	87.5	88.5
41-60%	11	1.1	10.6	99.0
61-80%	1	.1	1.0	100.0
Total	104	10.5	100.0	
Total	104	100.0		

Source: Research Data 2017

Table 5 below shows descriptive statistics on church performance. To determine the level of growth, each class was scaled between 1 and 5 indicating the number of churches in each class. The results show a mean of 2.12, the standard deviation of .377, skewness

2.367 and Kurtosis 7.601 meaning that majority of churches grew at an average rate of below 50%.

Table 4: Descriptive Statistics on Church performance Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Church Performance	104	2.12	.377	2.367	.237	7.601	.469
Valid N (listwise)	104						

Source: Research Data 2017

8.2. Correlational Analysis

Table 5 below, show there is a positive correlation between Organizational Characteristics and performance of Churches which is significant ($r=.577$, $p < .01$). Also, there is a positive relationship between Organizational Characteristics and budgeting process and performance ($r=.379$, $p < .01$; $r=.564$, $p < .01$).

Table 5: Correlation between Organizational Characteristics, budgeting process, and performance Correlations

		Budgeting Process	Organizational Characteristics	Performance
Budgeting Process	Pearson Correlation	1	.379**	.564**
	Sig. (2-tailed)		.000	.000
	N	104	104	104
Organizational Characteristics	Pearson Correlation	.379**	1	.577**
	Sig. (2-tailed)	.000		.000
	N	104	104	104
Performance	Pearson Correlation	.564**	.577**	1
	Sig. (2-tailed)	.000	.000	
	N	104	104	104

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2017

Table 6 below shows the process output for the organizational Characteristics

To test whether there is a moderating effect of Organizational Characteristics on the relationship between budgeting process and performance, process model 1 suggested by Hayes (2013) was used and Organizational Characteristics used as a moderator. The test was to determine whether a moderating effect exists. Evidence of moderation is confirmed if the interaction term is significantly different from zero. The results in table 5.9 show there was a moderating effect of Organizational Characteristics on the relationship between budgeting and performance ($R=.727$, $F(3,100)=37.3887$, $P<.01$). On the interaction term, the result shows the Level of Confidence interval range between 0.0709 to 0.2600 meaning that zero does not lie between the range an indication of significance. The report on the R square increase due to interaction show R square change $=.0568$, $F(1, 100)=12.0423$, $P<.01$. The results indicate the interaction term is significantly different from zero and the effect of budgeting process on performance depends on the Organizational Characteristics.

Table 6: Process output for the Organizational Characteristics

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*****
Model = 1
  Y = Performance
  X = budgeting Process
  M = Organizational Characteristics

Sample size
  104

*****
Outcome: Performance

Model Summary
      R    R-sq    MSE    F    df1    df2    p
    .7271  .5287  .0689  37.3887  3.0000  100.0000  .0000

Model
      coeff    se    t    p    LLCI    ULCI
constant  2.7242  .7682  3.5465  .0006  1.2002  4.2483
O.characte -.4408  .1977 -2.2296  .0280  -.8330  -.0486
budget    -.3750  .1907 -1.9665  .0520  -.7533  .0033
int_1     .1654  .0477  3.4702  .0008  .0709  .2600

Product terms key:

int_1  budgeting  X  Organizational Characteristics

R-square increase due to interaction(s):
      R2-chng    F    df1    df2    p
int_1  .0568  12.0423  1.0000  100.0000  .0008
    
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*

Conditional effect of X on Y at values of the moderator(s):

O.Character	Effect	se	t	p	LLCI	ULCI
3.1826	.1515	.0587	2.5827	.0113	.0351	.2679
3.8750	.2661	.0488	5.4570	.0000	.1693	.3628
4.5674	.3806	.0591	6.4412	.0000	.2634	.4978

Values for quantitative moderators are mean and plus/minus one SD from the mean. Values for dichotomous moderators are the two values of the moderator.

From the results, the conclusion is that Organizational Characteristics has a moderating effect on the relationship between budgeting process and the performance of churches in Kenya. The null hypothesis is, therefore, rejected and the alternative hypothesis that there is there is a moderating effect of Organizational Characteristics on the relationship between budgeting process and performance, accepted.

9. Discussion

The study objective was to determine the moderating effects of organizational characteristics on the relationship between budget process and performance of churches in Kenya. The study hypothesized that organizational characteristics have no moderating effects on the relationship between budgetary process and the performance and growth of churches in Kenya. First, the study finds that both budgeting process and selected organizational characteristics are practiced in Kenya Churches. Secondly, the study findings show the positive moderating effect of organizational characteristics on the relationship between budgeting process and performance. By demonstrating high mean in both budgeting process and organizational characteristics in means that both variables are as relevant to churches and religious organizations as they are to profit-making organizations. It also means that accounting in Kenyan churches is not perceived as an intrusion but rather part of a system for mission delivery. The positive moderating effect implies that organizational characteristics play a significant role in the relationship between budgeting and performance. It also means that while other factors contribute to the relationship between budgeting process and performance, the role of organizational characteristics in the relationship is significant. Churches, therefore, should focus on strengthening organizational characteristics such as leadership styles, technology and increased involvement of leadership in the budgeting process for better performance in their membership growth. The results also imply that an organization cannot have strong budgeting process unless organizational characteristics are also strong. The endgame for strong budgeting process and organizational characteristics such as leadership styles,

technological advancement, and involvement of leaders in the budgeting process is better growth in membership.

The results from this study are consistent with studies such as (Medcalfe & Sharpe, 2012; Boggs & Fields 2010; Duncan et al., 1999; Watts, 1996; Odom & Boxx, 1988) that reported an association of organizational characteristics to internal systems and performance. The study is also consistent with Irvin (2005) that found churches used budgets as a surrogate for the spiritual goals and for measuring success and accountability and also (Mohamed and Ali, 2013; Isaboke and Kwasila, 2016; Tunji, 2013) that reported a positive relationship between budgeting and performance. However, the study disagrees with Laughlin (1988) who was of the view that churches do not view budgets as binding on future endeavors, due to lack of appropriate accounting professionals in churches. The study further disagrees with Booth (1993) that asserted that church leaders were ill-prepared to provide required financial management leadership within churches. Therefore, the results suggest that churches in the current decade are more enlightened and their leaders view budgeting process as an essential part of advancing the church mission.

10. Conclusion

The study sought to establish the moderating effect of organizational characteristics on the relationship between budgeting process and performance of Churches and finds a positive moderating effect. Budgeting process characteristics such as budget planning, participation, communication, and evaluation are as important to religious organizations such as churches just as they are to profit-making organizations. Organizational characteristics such as Age, Size, technological advancement, leadership Style and involvement of church leaders in the budgeting process play an essential role in moderating budgeting process and performance. The study found that Church size had a greater impact on the budgeting process. Further, the study found that budgeting process was highly practiced in Kenyan churches and membership growth is an appropriate measure of church performance. Furthermore, the study found that churches in Kenya do not view accounting as an intrusion but rather an essential process that helps remain focused on the mission of the Church. There is, therefore, no divide between the Secular and Sacred in the Kenyan Church.

11. Recommendations and future research

The study recommends continued investment in leadership development to sustain and strengthen budgeting process. The study further recommends adoption of technology and increased involvement of church leadership in the budgeting process. As Churches grow their numerical numbers, it is recommended that they review their budgeting process as this may require a more sophisticated process. Because of the importance of church

leaders in the budget development, it is recommended that policymakers include this requirement in their development of policies and guidelines. Future studies should focus on other variable characteristics that affect church performance. Demographic characteristics such as culture, ethnicity, and level of education should be considered for future research.

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APPENDIX II: QUESTIONNAIRE

This questionnaire aims to collect data on budgeting, Organizational Characteristics and church performance. You are requested to participate in the study by responding to the items given in the various sections.

SECTION A: CHURCH BACKGROUND

1.1.Name of the church

1.2.Please indicate your position in the church by circling below

- Bishop
- Priest
- Pastor
- Cardinal
- Other, specify

1.3.How long have you held your current position in the church? _____

1.4.Legal Status of the church?

- Registered under Societies Act
- Registered under Companies Act
- Other, specify

1.5.Year of registration in Kenya _____

1.6.Which umbrella body are you affiliated to? Please circle your answer below.

- NCCCK (National Council of Churches of Kenya)
- EAK (Evangelical Alliance of Kenya)
- Other,

specify_____

None_____

1.7.How do you categorize your church regarding polity? Please circle your answer below.

- Congregational (Direct government by the people who make up the congregation)

- Episcopal (Power in the highest ranking Bishop and delegated downward through the clergy)
- Presbyterian (Congregation governed by a group of elected leaders)
- Other,
specify_____

1.8.How many salaried employees do you have? _____

SECTION B: BUDGETING PROCESS

2.1.Does your church prepare a budget?

- a. Yes
- b. No

2.2. Does a budget committee exist in your church

- a. Yes
- b. No

2.3. Are you familiar with the budgeting process of your church?

- a. Yes
- b. No

2.4.Who is in charge of the budget preparation in your church? Please indicate the title of that person _____

2.5. What is the budgeting physical period of the church?

- a. Monthly
- b. Six months
- c. 12 months
- d. 24 months
- e. other, please specify _____

2.6. How would you classify the budget of your church?

- a. Fixed
- b. Variable budget
- c. Other, Explain _____

2.7.On a scale of 1-5 where: 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree, State the extent to which you agree with the following concerning budgeting and budget process in your church

	STATEMENT	SA	A	N	D	SD
		5	4	3	2	1
	Budgeting					
A	The age of the church has helped improve budgeting process over time					
B	The size of the church has great effect on the budgeting process of the church					
	Budget Planning					
C	Budgetary guidelines are issued before preparing budgets					
D	The church has a budgeting committee.					
E	The budget committee is functional in my church					
F	Before budgeting, there are operational plans to establish the activities and budgets for each department in the church					
G	Before budgeting income sources and expenses are identified					
H	The churches budgetary goals are specific and clear in my church					
I	The budgeting process in the church adheres to the church's commitment to transparency and accountability					
	Budget Participation					
J	Every church committee member takes part in the budgeting process					
K	Every Head of Department take part in the budgeting process					
L	Every head of the department influences the final church budget.					
M	There is a no secrecy in the way the budgeting process is done					
N	Staff members are happy with budgeting process in my church					
	Budget Communication					
O	Good information flow is available for budgeting					

	Budget communication is accepted:					
P	Without caution					
Q	Without suspicion					
R	With reception					
S	Budget process leadership provided is effective					
T	Coordination among various departments during budgeting process is achieved					
	Budget Evaluation					
U	The church has set a budget variance percentage that has to be explained while reviewing variance reports					
V	Significant budget variance prompt budget revision during the year					
W	Corrective action is always taken on budget variance					
X	New activities during the year always prompt budget revision					

2.8. How frequently are the budget variance reports circulated to managers?

- Monthly
- Quarterly
- Semi-Annually
- Other (Please specify) _____

2.9. Who has authority to evaluate the budget variance?

- Department Head
- Budget Committee
- Top Management
- Any other (please specify) _____

SECTION C: ORGANIZATIONAL CHARACTERISTICS

3.1. Does the church have an accounting software?

Yes

No

3.2. On a scale of 1-5 where: 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree, State the extent to which you agree with the following concerning transformational Leadership and Internal Controls in your church

	STATEMENT	SA	A	N	D	SD
		5	4	3	2	1
	Leadership Style					
A	The church leadership style affects the quality of budgeting process					
B	Leadership style in my church enforces budget participation					
C	The nature of leadership style in the church has hugely impacted the performance of the church					
D	Leadership style in my church enforces Internal Controls systems					
E	The commitment of church leaders greatly impacts the budgeting process					
	Technology					
F	The church has adopted technology in budgeting and accounting					
G	The church has adopted use of technology in communicating to members					
H	The church has adopted technology to back up data in case of crisis					
I	The church has adopted technology in generating financial data					
	Involvement of Church Leadership in Budgeting					
J	The church has a strategic planning committee					
K	The church leaders are involved in the formulation of budgets					
L	The church leader has personally been involved in initiating					

	development projects					
M	The church leadership is involved in strategic plan formulation					
N	The church leader prepares strategic plan alone.					
O	The church leadership is involved in strategic plan implementation					
P	The church council prepares the budget for implementation of strategic plan					
Q	The church leadership ensures that a budget is made for implementation of strategic plans					
R	The church leadership ensures that every department is allocated adequate funds					
S	Some departments lack adequate finances to implement their programs					
T	The communication between the priest and the congregants interfere with smooth implementation of strategic plan					
U	The church leader's leadership style promotes the implementation of strategic Plan.					
V	The leadership style discourages implementation of strategic plan					
W	The church leadership is involved in stewardship and investment					
X	The church leadership inspires us to implement our strategic plan					
Y	The church leadership challenges us to create ways of implementing the strategic plan					
Z	The church's leadership style helps to sustain church programs					

Section D: Performance

4.1 What was your church population five years ago (January 1st 2012)?

4.2 What's the current church population (December 31st 2016)? _____