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How participation in the strategy development process impacts managers’ creation of budgetary slack

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Abstract
This paper explores the impact of participation in the strategy development process on managers’ creation of budgetary slack. It is proposed that a participative strategy development process affects budgetary slack through the mediating effect of the managers’ autonomous motivation to attain the required budget targets and their affective organizational commitment. Data obtained from 247 Belgian managers are used to test the proposed model. Results from a structural equation model suggest that increased participation in strategy development fosters autonomous motivation toward budget targets and affective commitment toward the organization. In turn, autonomous motivation and affective organizational commitment are negatively related to the creation of budgetary slack. These findings highlight the importance of participation in the strategy development process in advancing our understanding of the complex budgetary slack process. A participative strategy development process appears key in controlling budgetary slack when it is deemed dysfunctional for the organization. The results also provide evidence of the importance of distinguishing among different types of motivation: only the effect of autonomous motivation on budgetary slack is significant whereas controlled motivation seems to have no effect.

Keywords
Budget slack, participation, strategy, affective organizational commitment, autonomous motivation, Self-Determination Theory.

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