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WORKING PAPER

**The effect of perceived environmental uncertainty on
budgetary slack: The pivotal role of sequential role
ambiguity and job-related tension**

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Abstract

In the empirical literature, much consideration has been given over the years to the dysfunctionalities of budgetary slack: budgetary slack is believed to be created to intentionally bias performance evaluations, to control for resources, and to achieve personal aspirations. In contrast to this, we examine the extent to which budgetary slack is created in response to perceived environmental uncertainty rather than as a way of intentionally biasing performance evaluations. In particular, building on information-processing and role theory, we argue that perceived environmental uncertainty is both directly and indirectly – through the sequential mediation of role ambiguity and job-related tension – related to budgetary slack. Using quantitative survey data, we find that budgetary slack is positively related to the job-related tension caused by uncertainty-driven role ambiguity. As the effect of job-related tension on budgetary slack overrides the explanatory potential of traditionally recognized antecedents such as budget participation, information asymmetry and superior's ability to detect slack, our results highlight the importance of psychological variables to fully understand the budgetary slack process.

Keywords: budgetary slack; environmental uncertainty; role ambiguity; job-related tension; tolerance for ambiguity.