

ABSTRACT

Budgetary Slack is an important organizational outcome that has interested accountants and researchers for a number of years. It is defined as the amount by which managers intentionally build excess requirements for resources into the budget-setting, or knowingly understate productive capability (Young, 1985). This research provides empirical evidence that the two motivational factors of organizational commitment and job-related tension may be important factors in explaining the relationship between budgetary participation and managers' propensity to create budgetary slack. In this research, only middle and top managers of the hotels, ranging from three to five stars in Macao, were studied. An in-depth pilot study of five managers was conducted in order to ensure the consistency of the questions in the questionnaire. Out of the one hundred and thirty one interviews, three were excluded from the study due to the lack of completion of the data, thus yielding a response rate of 84.2%. The data were analyzed by using regression analysis and two-by-two factorial analysis of variance (ANOVA) techniques, and the construction of a two-way table, where job-related tension and organizational commitment were dichotomized at their means in order to further assist the interpretation of the results of ANOVA. The results revealed that low organizational commitment has a significant effect on the relationship between budgetary participation and managers' propensities to create budgetary slack. Interestingly, job-related tension has no effect,

even under both high and low participation conditions. This study recommends the top management of organizations to implement and enhance managers' organizational commitment through the design of effective management control system in order to lower the managers' propensities to create budgetary slack.