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## Do organizational politics and organizational commitment affect budgetary slack creation in public organizations?

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### Abstract

New public management promoting efficient use of public resources has increasingly drawn attention for the last three decades. However, the problem of inefficient use of public resources has not been resolved yet. Investigating the budgetary slack concept may be useful in solving this efficiency problem. To this end, this research focuses on propensity of managers who work in public organizations to create budgetary slack and factors affecting their propensities such as perception of organizational politics and organizational commitment. Results demonstrate that the effects of “general political behavior” and “go along to get ahead”, which are the sub-dimensions of organizational politics perception, on managers’ propensity to create budgetary slack are positive. It is also found that organizational commitment has a statistically significant and negative impact on general political behavior and go along to get ahead.

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### 1. Introduction

The concept of budgetary slack has taken up the time and interest of many researchers for decades. Although substantial advances have been made thanks to the contribution of researchers, the interest in the issue of budgetary slack is increasing. At the root of this increase lays the reality that budgetary slack has both a positive and negative impact on organizations in many ways. If budgetary slack is used wisely, it may be useful for the organization (Onsi, 1973; Bourgeois, 1981). However, if it is used without considering the interests of organizations as dysfunctional behavior, it may be detrimental. Because of that, it may cause a waste of time and resources of organizations (Wu, 2005), decrease the effectiveness (quoted by Nouri and Parker, 1996 from Waller, 1988), increase costs (quoted by Onsi, 1973 from Cyert and March, 1963), and have negative behavioral impacts on employees. In this respect, it is also effective on the national economy in a macro perspective.

On this basis, lots of researches investigated the factors affecting budgetary slack creation. Budgetary participation, information asymmetry (Dunk, 1993), budget emphasis, national culture, performance evaluation style, organizational

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commitment and environmental uncertainty (Kren, 2003; Yılmaz and Özer, 2011), justice (Little et al., 2002, Langevin and Mendoza, 2010; Yılmaz and Özer, 2011) are only a few of these factors that could be given as an example.

The amount of slack in public organizations is higher than it is in private sector organizations, and management control system of public organizations is not enough to reduce slack (Busch and Gustafsson, 2002). However, contrary to private sector organizations, budgetary slack in public organizations has not been studied in a comprehensive manner up to this time. Busch (2002) studied the “slack” concept in terms of public organizations. According to Busch (2002), slack could be beneficial during the reforms in public administration, because it enables the use of new techniques, management information systems and new organizational forms. However, Borge et al (2008) claimed that budgetary slack is the same thing with inefficiency in public organizations.

Managers could act more politically to create slack budget. They can make an effort to affect distribution of resources and to create budgetary slack (Zahra, 1987; Witt et al., 2004). Mayes and Allen, (1977) and Zahra (1987) suggest that organizational politics affects the resource allocation of organization and negatively affect the organizational performance. However these studies are conducted on private sector organizations and do not investigate the relationship between the perception of organizational politics and propensity to create budgetary slack.

Nouri and Parker (1996) conducted a study investigating the relationship among organizational commitment, budgetary participation and budgetary slack and they revealed that organizational commitment shows determining effect on the relationship between budgetary participation and budgetary slack.

Despite the large number of researchers handling the issue of budgetary slack in different perspectives, lack of research which investigate it at the level of individual manager in public organizations directs us to investigate factors affecting managers' propensity to create budgetary slack in public organizations. In this context, the current study aims to do the following: 1) to investigate factors affecting propensity to create budgetary slack in public organizations, 2) to examine whether organizational commitment has an impact on propensity to create budgetary slack, and 3) to provide inputs for policymakers in order to mitigate budgetary slack in public organizations. To this end, the impacts of organizational commitment and perception of organizational politics on propensity to create budgetary slack is examined with the help of data collected from managers who work in different public organizations through a questionnaire.

The study is organized as follows: In the second section; variables are illustrated conceptually in the light of related literature, and the hypotheses and research model are developed. In the third section; the sample, data collection and research method are reported. At the fourth section; results of the analyses are presented, and at the last section; results and limitations of the study are concluded.

## **Theoretical Background and Hypotheses**

### *Propensity to Create Budgetary Slack*

During the budget formation process, managers may attempt to create extra resources in the budget of their departments or organizations (Merchant, 1985; Dunk, 1993). On the basis of this behavior, the ideas that this extra budget will provide them flexibility for their actions, make it easier to attain the budget (Wu, 2005) and serve as a buffer against several risks have an important role (Van der Stede, 2000). However, self-interests of managers or subordinates could be effective in the creation of budgetary slack (Nouri and Parker, 1996).

Expenses (shown more than they are) and incomes (shown less than they are) could be indicated as the most important indicators of budgetary slack (Schiff and Lewin, 1970; Kren, 2003). However, in public organizations generally there is no income aspect of budget and so, budgetary slack for public organizations could be defined as consciously over-estimated expenses (Busch, 2002, s.154).

As it is stated above, in the literature, budgetary slack is generally seen as detrimental, because of its negative impacts on the success of organizations (Onsi, 1973; Hartmann and Maas, 2010). However, some researchers noted that budgetary slack is not detrimental in every situation. For example, according to Bourgeois (1981), budgetary slack

could be beneficial for organizations. Also Nohria and Gulati (1997) indicated that both a surplus and a lack of budgetary slack can be detrimental for organizations and because of that, the vital point on the issue should be what the optimum level of budgetary slack is. Onsi (1973) also indicated that if budgetary slack is used in the right manner by a manager it may provide some benefits for organizations such as stabilizing the environmental changes.

#### *Budgeting System in Turkey and Budgetary Slack*

A budgeting system in force has a vital importance for the efficient and effective use of public resources. With this understanding, various reforms have been performed in the Turkish budgeting system, and performance based budgeting was put into effect gradually in the 2000s. The aims of reforms and performance based budgeting are the efficient and effective use of public resources, increasing efficiency and effectiveness of public services, and enhancing accountability and transparency in public administrations (BUMKO1). The new system comprises all public administrations with the help of performance based budgeting and its instruments such as strategic plans, performance programs, budgets and accountability reports. Performance based budgeting is “output and result oriented system” and aims to evaluate the performance of public institutions and their units. Public administrations prepare their expenditure proposals in a participatory manner so that they reflect appropriation requests of all decentralized units (BUMKO2).

After the launch of performance based budgeting, attaining planned targets, aims and budget has gained more importance for the sustainability of effective public management. Attaining budget and targets is also evaluated as the indicator of managers’ performance. As a result of this, managers attempt to exaggerate expenses and create budgetary slack during the planning process of budget in order to create more attainable budget.

Previous researches show that budgetary slack is the issue emerging in participatory budgeting. However, participation in private and public organization could appear in different ways. Özer and Yılmaz (2011) inform that while the participation reveals a negotiation for extra budget in private organizations, it appears as an extra budget request from top management or budget-related governmental organizations in public organizations. Requested budget amounts are determined by managers, and during this process, managers can ask for extra budget with the aim of protecting themselves against uncertainty or cutoff possibility. However it doesn’t mean that these requested amounts are completely allocated to the budgets of departments or institutions as requested by managers.

Another important reason of budgetary slack creation by managers in public organizations is that in case of need, to get additional budget is almost impossible during the budget period. Also, transferring budget between the budget items is quite difficult and time consuming due to the intensity of bureaucracy. Because of all these impediments against to get additional budget, they have to wait next budget formation process to get additional budget for their necessary operations, or create a buffer against to unexpected situations by creating budgetary slack at the budget formation process of current period.

Kartalçı (2009) examined the public expenditures during the period of 2006-2008, and found that expenditures in December are higher in comparison than of other months. One of the reasons for this surplus expenditure in December is shown as insecurity to the Ministry of Finance (Kartalçı, 2009). According to him, because of this insecurity and impossibility of appropriation transfer to the next fiscal year, managers tend to spend their entire budget before the end of fiscal year (especially in December) in order to prevent the reduction of budget for next fiscal year. In this process, accumulated budgetary slack in public organizations is also spent by managers without considering if it is necessary or not. Unfortunately, budgetary control is usually not as effective at preventing these unnecessary expenditures.

Another underlying reason of accumulating budgetary slack is Turkey’s struggle with high inflation for many years in the past. One decade ago, inflation was high and it made the budgets of public institutions ineffective. As a result, managers requested extra budget in order to perform their activities. Turkey left behind its period of high inflation and changed its budgeting system; but, as it is stated by Alantar (2009), changing people is not as easy as changing regulations.

### *Perception of Organizational Politics*

Organizational politics is a concept whereby of the employee of a specific organization acts in favor of their self-interest without taking into consideration the interest of the organization (Mintzberg, 1983; Witt et al., 2004). Although behaviors in the organizations are generally political, there is no commonly accepted description on it (Drory and Room, 1990). Organizational politics is a subjective phenomenon and it can change depending on past experiences, demographic characteristics, organizational, environmental and social factors (Gandz and Murray, 1980; Ferris and Kacmar, 1992; Kacmar and Baron, 1999). Organizational politics can occur as nepotism, cronyism, elitism (Pelletier and Bligh, 2008, 828), struggling for resources, personal conflicts, competition for power, building coalitions (Ram and Prabhakar, 2010, 41) etc. However, not all behaviors in the organizations can be considered as political (Mayes and Allen, 1977), and if organizational politics is used in a correct way, it could serve the benefits of organizations (Daft, 1983; Vigoda, 2000; Aronow, 2004).

Many researchers have preferred to direct their attention to the perception of organizational politics because it reflects the general political climate of the organization and it can be measured easier than actual behavior (Vigoda-Gadot et al., 2003). For these reasons, much research is carried out investigating the impact of organizational politics perception on different factors such as job attitudes (Drory, 1993), organizational commitment (Ferris et al., 1989; Witt et al., 2004), organizational support (Randall et al., 1999), organizational citizenship behavior (Vigoda, 2000), organizational image (Vigoda-Gadot et al., 2003), participation (Aryee et al. 2004), ethics (Vigoda-Gadot, 2007), Leadership Styles (Ram and Prabhakar, 2010), etc.

Perception of organizational politics encompasses three sub-factors; general political behavior, go along to get ahead and pay and promotion policies (Kacmar and Ferris, 1991; Kacmar and Carlson, 1997). General political behavior represents the behaviors that are performed to provide self-interest. "Go along to get ahead" connotes intentionally being silent for the purpose of keeping vested interests or valued outcomes from loss. Lastly, pay and promotion policies represent political behaviors of organizations that are performed through organizational policies, and it is directly related to rewards and outcomes (Vigoda-Gadot and Drory, 2006).

Related literature shows that an increase in the centralization of an organization can increase political behaviors in order to affect decisions. If it is considered that the best example of centralized organization is public organizations, experiencing more political behavior in public organizations is inevitable.

Despite the lack of consensus on the definition of organizational politics, there is general acceptance about some causes of political behavior in the organizations. One of these causes is existing scarce resources in organizations (Kacmar and Carlson, 1997). If managers feel that resources of an organization are scarce, they could act more politically to get extra resources (Ram and Prabhakar, 2010) especially for extra budget. They can make an effort to affect distribution of resources and to create budgetary slack (Zahra, 1987; Witt et al., 2004).

Managers could sometimes face several uncertainties and conflicts of interests. In such cases, budgetary slack could provide an advantage to managers for protecting themselves and struggling with uncertainties. Although it also seems useful for organizations, not all managers create budgetary slack to protect their organizations against uncertainty and it could result in waste of scarce resources. Sometimes managers who create budgetary slack for the benefits of their organization could be faced with other managers' self-seeking behaviors such as budgetary slack creation. In such situations, managers could prefer to remain silent to avoid the obstacles in front of their budgetary slack creation. These kinds of behaviors from managers raise the amount of budgetary slack.

All these explanations about the relationship between the dimensions of organizational politics perception and propensity to create budgetary slack are hypothesized as follows;

*Hypothesis 1a: General political behavior in public organizations positively affects managers' propensity to create budgetary slack.*

*Hypothesis 1b: Go along to get ahead positively affects managers' propensity to create budgetary slack in public organizations.*

In public organizations, pay and promotion policies are almost completely regulated by law. Therefore managers of public organizations generally cannot act on their own initiative on the issue of pay and promotion policies. While there may be some exceptions, pay and promotion policies don't have a determining effect on managers' perception of organizational politics in public organizations. Because of that, the pay and promotion policies dimension of organizational politics perception is excluded from the current research.

### *Organizational Commitment*

Although it is mostly investigated and used in order to explain a number of variables in literature, there is no general consensus on the definition of organizational commitment. However, the most common organizational commitment definition is Porter et al.'s (1974) definition. Porter et al. (1974, 604) define organizational commitment as "the relative strength of an individual's identification with and involvement in a particular organization". They also indicate three factors to characterize organizational commitment; "a strong belief in and acceptance of the organization's goals and values; a willingness to exert considerable effort on behalf of the organization and a definite desire to maintain organizational membership" (Porter et al., 1974, 604).

Nouri and Parker (1996) proposed that organizational commitment is effective on employees' behaviors and found if employees have strong commitment to the organization, the relationship between budgetary participation and budgetary slack will be negative, and vice versa. An employee who has a high commitment to his/her organization will take into consideration an organization's interest instead of his/her self-interest, and he/she will not behave detrimentally to the organization.

The relationship between organizational commitment and perception of organizational politics has been the focal point of much research. Much of this research resulted in the negative relationship of organizational commitment and perception of organizational politics (Randall et al. 1999; Vigoda, 2000; Miller et al., 2008; Hu, 2010). Wilson (1995) reported that organizational politics has an impact on organizational commitment. Horchwarter et al. (1999) found that organizational commitment has a moderation effect on the relationship between organizational politics and turnover intention. Witt et al. (2002) found an interaction between organizational commitment and perception of organizational politics. Since organizational politics is perceived as a detrimental and negative process for organization, managers who have strong organizational commitment don't act politically and remain silent against the detrimental behavior in order to protect their organization and self-interest of colleagues.

*Hypothesis 2a: Organizational commitment negatively affects general political behavior in public organizations.*

*Hypothesis 2b: Organizational commitment negatively affects go along to get ahead in public organizations.*

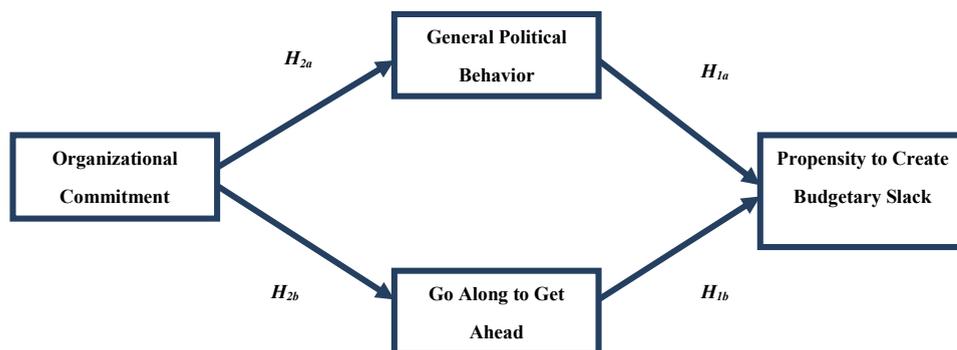


Figure 1: Research Model

## Methodology

### Sample and Data Collection

The data was gathered from 486 managers working in public organizations in Turkey through a questionnaire. Likert-type scale was used to form the questionnaire. The questionnaires were aggregated by meeting with people by face to face or using the internet. Factor, reliability, correlation and SEM were performed to analyze relationship among variables.

### Measurement

The validity of scales used in this study is proven by previous studies. The scale of propensity to create budgetary slack is adapted from Onsi (1973). This scale is used by many researchers including Lau (1999), Ueno and Sekaran (1992), Staley and Magner (2007). The scale of organizational politics perception is adopted from Kacmar and Ferris (1991). General political behavior is measured with three statements, go along to get ahead measured with four statements and pay and promotion policies is measured with three statements. The five statements used to measure organizational commitment are adopted from Mowday et al. (1982).

## Analyses and Results

### Factor Analysis

Since they have been generally tested in previous research, the scales of the current study are theoretically strong. The exploratory factor analysis used to evaluate factor structure of variables points out four factors. These four factors explain 63,972% of total variance and this rate is over the acceptable lower limit (0.60) (Nakip, 2003). The Kaiser-Meyer-Olkin (0.813) and Barlett test ( $p=0,000$ ) reveal that results of analyses are statistically significant (Mitchell, 1994) and the data is appropriate to perform factor analysis. Cronbach's Alpha coefficient is calculated to estimate reliability of scales. All Cronbach's Alpha coefficients are higher than 0,60, the acceptable lower limit (Nunnally, 1978; Malhotra, 1993). Factor loadings and Cronbach's Alpha coefficients of variables are presented in Table 1.

Table 1: Factor Loadings

Factors and Scales	Factor 1	Factor 2	Factor 3	Factor 4
<b>OC: Organizational Commitment (Cronbach <math>\alpha</math>:0,862)</b>				
OC1	,840			
OC2	,817			
OC3	,798			
OC4	,793			
OC5	,745			
<b>GAGA: Go Along to Get Ahead (Cronbach <math>\alpha</math>: 0,730)</b>				
GAGA1		,800		
GAGA2		,773		
GAGA3		,708		
GAGA4		,606		
<b>PCBS: Propensity to Create Budgetary Slack (Cronbach <math>\alpha</math>: 0,783)</b>				
PCBS1			,854	
PCBS2			,815	
PCBS3			,808	
<b>GPB: General Political Behavior (Cronbach <math>\alpha</math>: 0,721)</b>				
GPB1				,778
GPB2				,771
GPB3				,745

### Correlation Analysis

Correlation analysis is conducted to analyze relationship among variables. As a result, it is seen that there is statistically significant and positive correlation between the perception of organizational politics and propensity to create budgetary slack. It is also found that there is significant and negative correlation between organizational commitment and perception of organizational politics. Correlation coefficients are displayed in Table 2.

Table 2: Mean, Standard Deviation, Correlation Coefficients

Variables	Means	Standard Deviation	Min.	Max.	1	2	3	4
1 Propensity to Create Budgetary Slack	3,4156	,87767	1	5	1			
2 Organizational Commitment	3,7329	,79339	1	5	-,076	1		
3 General Political Behavior	2,5233	,89046	1	5	,230(**)	-,265(**)	1	
4 Go Along to Get Ahead	2,6687	,85046	1	5	,216(**)	-,126(**)	,390(**)	1

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

### Assessment of Fit Indices

For the purpose of the assessment of fitness of model to the research data, fit indices are computed with the help of AMOS 18. Results of analyses show that the chi-square value (Chi-square=0,081 with 1 degrees of freedom) is not significant (Probability level = 0,776) and the model fit the research data (Barrett, 2007; Harrington, 2008; Bayram, 2010). Along with the chi-square value, some fit indices are also calculated such as GFI, AGFI, NFI, CFI, RMSEA, RMR and SRMR in order to provide a more reliable outcome (Jöreskog and Sörbom, 1993; Hooper et al., 2008; Bayram, 2010).

RMSA value is calculated as 0,000 and it is lower than 0,06 (Hu and Bentler, 1999). It shows the goodness of the research model (McDonald and Ho, 2002, Hooper et al., 2008; Bayram, 2010). RMR and SRMR values (RMR=0,003; SRMR=0,0038) are lower than 0.05 as it is suggested in the literature (Hooper et al., 2008; Bayram, 2010). GFI and AGFI values are also consistent with the suggested criteria in the literature. According to this, GFI (1,000) and AGFI (0,999) values are higher than 0.90 (Hooper et al., 2008; Bayram, 2010). NFI value (0,999) is also greater than 0,95 as it is suggested by Hu and Bentler (1999). CFI Value (1,000) also proves the good fit as it is stated in the literature (Hu and Bentler, 1999).

Table 3: The goodness-of-fit statistics

Goodness of Fit Indices	Results	Suggested in Literature
RMSEA	0,000	≤0,06
GFI	1,000	≥0,90
AGFI	0,999	≥0,90
RMR	0,003	≤0,05
SRMR	0,0038	≤0,05
NFI	0,999	≥0,90
CFI	1,000	≥0,90

### Test of Hypotheses

Standardized regression weights are calculated to examine the relationship between variables with the help of Structural Equation Modeling. According to the results, there are negative and statistically significant relationship between organizational commitment and general political behavior (standardized regression weight= -0,265; p=0,000).

$R^2$  value of the regression model that investigates the relationship between organizational commitment and general political behavior is 0,070. It shows that the managers' organizational commitment explains 0,070 of total variance of managers' general political behavior. These findings support Hypothesis 2a.

The results of Structural Equation Modeling analysis also shows that organizational commitment negatively affects go along to get ahead (standardized regression weight= 0,126;  $p=0,005$ ). The  $R^2$  value (0,016) indicates that organizational commitment explains 0,016 of total variance of go along to get ahead. It means that these findings support Hypothesis 2b. In general, it could be inferred from the results that an increase in organizational commitment decreases general political behavior and go along to get ahead.

In the next stage, the relationship between the general political behavior and propensity to create budgetary slack, and the relationship between go along to get ahead and propensity to create budgetary slack are investigated. According to the results of structural equation modeling analyses, general political behavior (standardized regression weight= 0,172,  $p=0,000$ ) and go along to get ahead (standardized regression weight= 0,149,  $p=0,002$ ) significantly and positively affect managers' propensity to create budgetary slack. This means that an increase in general political behavior of managers also increases managers' propensity to create budgetary slack. Managers' go along to get ahead is another important factor which increases managers' propensity to create budgetary slack.  $R^2$  values of the models show that general political behavior and go along to get ahead explain 0,072 of total variance of managers' propensity to create budgetary slack. All these findings support Hypothesis 1a and 1b.

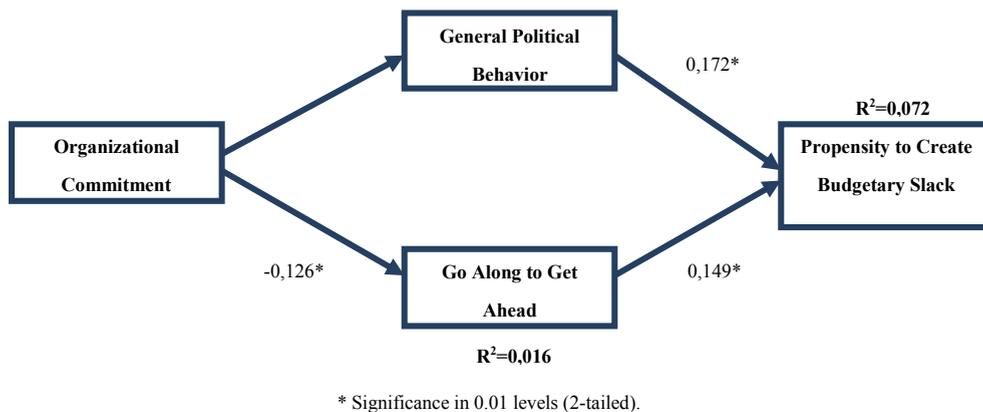


Figure 2: Results of Analyses

## CONCLUSION

The current study examines the factors affecting managers' propensity to create budgetary slack in public organizations. For this purpose, the relationship among propensity to create budgetary slack, perception of organizational politics and organizational commitment is investigated. The data is gathered from managers at different levels in public organizations and analyzed with factor, reliability with SPSS package program and correlation and structural equation modeling analyses with AMOS package program.

Analyses show that general political behavior and go along to get ahead, sub-dimensions of organizational politics perception, have an important and positive impact on managers' propensity to create budgetary slack. This means that increases in general political behavior and go along to get ahead increase managers' propensity to create budgetary slack. In other words, managers' perceptions of organizational politics positively affect their propensity to create budgetary slack. These results are consistent with Zahra (1987), Witt et al. (2004) and they verify the perception that organizational politics is a negative process and is harmful for organizations.

It is found that organizational commitment is an important predictor of the sub-dimensions of organizational politics' perception. Managers' organizational commitment has a negative impact on general political behavior and go along to get ahead. The underlying reasons of these relations could be stated as such: that general political behavior and go along to get ahead are generally performed to gain more self-interest, power or protect current position and

they are perceived as a negative process. It means that if managers have less organizational commitment, they behave more politically to take advantage of the situation or protect themselves, and they can remain silent against budgetary slack creation.

As a result, perception of organizational politics and organizational commitment are important factors in order to understand why managers have propensity to create budgetary slack in the public sector. However, of course these are not the unique determinants of propensity to create budgetary slack, and it is necessary to perform extra research to enlighten the issue of budgetary slack in the public sector. Due to time constraint, other factors are ignored in this study, and therefore are left to future research.

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