

The Impact of Abusive Supervision and Locus of Control on Budgetary Slack

Fitri Mareta*, Aldini Nofta Martini, Aryan Danil Mirza, Elin Paulina

Nusa Putra University, West Java, Indonesia

*Corresponding author:

E-mail: fitri.mareta@nusaputra.ac.id

ABSTRACT

Previous research has shown that budgetary slack behavior is motivated by external factors based on employee preferences or internal factors. Abusive supervision and locus of control are two aspects that have the potential to be the cause of budgetary slack creation. This research aims to investigate the impact on the propensity of individuals (abusive supervision and locus of control) to execute budgetary slack. Furthermore, this research also explores the role of the individual locus of control through abusive oversight of the tendency to handle budgetary slack. Until now, no research has been conducted to investigate the role of the individual locus of control in reaction to abusive supervision that facilitates budgetary slack activity. This research used a 2 x 2 experimental method among 51 Master of Science in Accounting students as participants to test the hypothesis. The findings show that the tendency to create budgetary slack is not significantly influenced by abusive supervision, whereas the emphasis of regulation has a major impact on the tendency to generate budgetary slack. Furthermore, it was also found that the propensity to create budgetary slack is influenced by abusive supervision and locus of control. In an attempt to reduce employee budget discrepancies, this analysis contributes empirically and theoretically by being the framework for consideration in the company.

Keywords: Abusive supervision, locus of control, budgetary slack

Introduction

In each subunit, the organization uses the budget to allocate money. As the basis for resource allocation, the budget is commonly used as a planning instrument. Top management also relies on bottom-up coordination to collect data on sub-unit resource needs to efficiently distribute resources within the organization (Church et al., 2019). Budgetary slack arises by exceeding the real budget requirements, a manager deliberately makes unreasonable demands for resources or a manager claims that his output is lower than the actual productivity (Park & Kim, 2019). The budget would also be more flexible, making the budget easier to meet.

Abusive supervision has a detrimental effect on workers and the organization (Tepper, 2000). The view of decreased self-regulation (Thau & Mitchell, 2010) indicates that abusive supervision in the workplace is a negative occurrence that decreases the ability to self-control, leading to unreasonable actions such as workplace theft. The budget deficit is seen from this viewpoint as the product of diminished self-control. Furthermore, individual control locations may also affect decision-making at work (Kesavayuth et al., 2018). About budget deficits, however, the locus of control has not been studied. Until now, no research has been conducted to investigate the role of the individual locus of control in reaction to abusive supervision that facilitates budgetary slack activity.

This research aims to investigate the impact on the propensity of individuals to execute budgetary slack of abusive supervision and locus of control. Furthermore, this research also explores the role of the individual locus of control through abusive oversight of the tendency to handle

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budgetary slack. It is anticipated that our research would make an analytical and realistic contribution. Empirically, the influence of abusive supervision on the propensity to carry out budgetary slack and the moderating position of the individual locus of control is clarified. Practically, it may be used in an attempt to reduce employee expense differences as a basis for consideration in the company.

Literature Review

Abusive supervision on budgetary slack

Abusive supervision is characterized as the understanding by the subordinates of the degree to which the superior is engaged in verbally and non-verbally exhibiting ongoing aggression, excluding physical contact (Tepper, 2000). Abusive supervision generates several undesirable effects, including decreased involvement (Tepper, 2000), decreased organizational constructive conduct (Zellars et al., 2002), increased offender retribution, and deviant behavior against other organizations and individuals (Mitchell & Ambrose, 2007). Abusive supervision signals to workers that their supervisors doubt them, lack confidence in their abilities and are unlikely to have the appropriate support for career growth (Tepper, 2000). Abusive supervision may also persuade staff that they lack the resources and capacity to attain job goals and overcome career challenges (Biemann et al., 2015). This leads workers with abusive leadership to question whether they are adequately qualified to fulfill the demands of their leaders and achieve their career objectives (Tepper, 2000).

Reciprocity is the fundamental concept of social exchange theory (Cropanzano & Mitchell, 2005). Thus, by reducing work efficiency, subordinates may compensate for their superior's abusive treatment. Previous research has noted that workers appear to engage in deviant conduct, such as bribery, fraud, or work slower than normal in response to hostile supervision (Tepper, 2000). Abusive supervision encourages retaliatory actions based on the social exchange theory (Mitchell & Ambrose, 2007). Employees with coercive management respond to their supervisors' treatment by engaging in workplace deviations (Skarlicki & Folger, 2004). The difference in the budget is one type of deviation in budget reporting. Managers are encouraged to make budget holes to increase their compensation and remuneration or to ensure that their budget goals are met (Church et al., 2019). Managers may also derive personal advantages from the budgetary slack. The following hypothesis is therefore postulated:

H1: Subordinates with high abusive supervision will be more likely to perform budgetary slack than subordinates with low abusive supervision

Locus of control on budgetary slack

Kesavayuth et al. (2018) describe the locus of control as individual assumptions about the causes of events, situations, and outcomes in their lives and relies on their actions how people interpret these outcomes. This personality trait, in other words, reflects the degree to which a person assumes that the things they obtain in life are dependent on their actions (Haas & Yorio, 2019). A person who has a high locus of control, which is also known as an internal locus of control, believes that the outcome of life is a function of one's efforts and behavior. In comparison, people with a low locus of control, also known as external locus of control, assume that the outcome of life is beyond one's control, but is more a function of external causes, such as fate, chance, and other individuals (Rotter, 1966).

Previous studies have shown that the locus of control can explain the motivation, decisions, behavior, and personal objectives of an individual. Furthermore, there is also evidence that the locus of control is related to risky actions. Kesavayuth et al. (2018) show that individuals with a high locus of control tend to have risky assets. Individuals with a higher locus of control tend to take financial risks because they assume that, relative to those with a low locus of control, their

decisions will control future performance. Protecting themselves and the company from instability is one of the key reasons administrators indulge in budgetary slack (Cyert & March 1963). The budgetary slack has a role in protecting against environmental instability as a risk buffer and (Van der Stede, 2000). The following hypotheses are also postulated:

H2: Subordinates with an external locus of control will be more likely to perform budgetary slack than subordinates with an internal locus of control

H3: In low abusive supervision, slack will tend to be lower for subordinates who have an internal locus of control

Material and Methods

Preparation of termite nest sample

Abusive supervision and locus of control are the independent variables in this analysis. Abusive supervision in this research is characterized as the attitude and treatment of supervisors who are not good enough for their subordinates in providing supervision and guidance, based on the scale of abusive supervision established by Tepper (2000). High abusive management means that supervisors handle subordinates less professionally and may insult subordinates, for instance, either directly or not directly insulting them by suggesting that subordinate ideas are dumb ideas, humiliating subordinates in front of colleagues or at meetings, frequently addressing past errors, telling the subordinate that the subordinate is incompetent. Low locus of control, on the other hand, is when a supervisor in the correct portion acts and handles subordinates.

The locus of control is determined by the amount of confidence in the willingness of employees to face different problems and challenges at work. The control variable locus was determined using a method developed by Johnson and McGill (1988), in particular:

- a. External locus is individual views or viewpoints of outside sources that influence events in his life, such as fate, chance, superior strength, and the environment.
- b. The internal locus is individual beliefs or thoughts that govern the ability to assess self-determination.

In this analysis, the dependent variable is budgetary slack. The tendency proxy for budgetary slack, which is still at the purpose level or not yet at the behavioral stage, is used in its calculation because it is hard to calculate the real budgetary slack (Maiga & Jacobs, 2008). The tool used is based on Hobson et al. (2011) and Stevens (2002), which are fitted with a slack-inducing payment system (a payment system that facilitates inequality), which typically allows subordinates to establish budgetary slack due to over-budget performance incentives.

Measurement

An abusive supervision instrument is in the form of an assignment which is then used to determine the amount of budgetary slack made by participants which are adapted from Tepper (2000). This instrument is used to determine how much the tendency of subordinates to carry out budgetary slack is measured by adjusting the best estimate of actual performance with the performance targets set by the participants. This calculation refers to the definition of budgetary slack according to Anthony and Govindarajan (2007). Locus of Control was measured using 10 questions. Each question item randomly will distinguish the respondent whether he or she tends to have an internal or external locus of control.

Respondents profile

The experiment involved 51 participants from FEB Gadjah Mada University's Master of Science in Accounting. The mean age of the participants was 24.23 with a minimum year was 21 and a maximum year was 30. 39 female participants and 12 male participants were the sex of the respondents. A minimum GPA of 2.75 with an average of 3.54 and a mean GPA of 3.90. There were

37 people (73 percent) who had work experience and 14 people (27 percent) who had no work experience. This research used a simple instrument, so the involvement of respondents from students who have no work experience but have taken management accounting courses is still quite relevant in working on the case in this instrument.

Results and Discussion

Hypothesis 1 notes that budgetary slack would be more likely to be carried out by subordinates with high abusive supervision than by subordinates with low abusive supervision. The results of the Two-Ways ANOVA test with abusive supervision and locus of control as independent variables are summarized in Table 1. The findings show that the key effects of abusive supervision are statistically significant ($F = 1.237, p = 0.272 > 0.05$). Support for H1 is not provided for by this result.

Hypothesis 2 notes that subordinates with an external locus of control would be more likely than subordinates with an internal locus of control to commit budgetary slack. The test results showed that the main impact of the locus of control was statistically significant ($F = 14.332, p = 0.000 < 0.05$).

Table 1. Two ways ANOVA results

Source	df	Mean Square	F	Sig.
LS	1	1397,002	1,237	0,272
LoC	1	16192,063	14,332	0,000
LS* LoC	1	1106,286	0,979	0,327
Error	47			

Hypothesis 3 notes that for subordinates who have an internal locus of control, slack would appear to be lower in low abusive oversight. The One-Way ANOVA test was used to test this hypothesis. Table 2 results show that $F = 2,949,475, p = 0.000 < 0.05$). H3 is provided by these findings.

Table 2. One Way ANOVA results

	F	t	Sig.
Equal variances assumed	2.949	-4,311	0.000
Equal variances not assumed		-4,180	0.000

The findings of the first hypothesis test suggest that subordinates with high abusive supervision do not tend to create budgetary slack than subordinates with low abusive supervision. The primary view of abusive supervision defines the rude treatment of leaders that can facilitate unethical behavior. Watkins et al., (2019), however, disclose that the image remains incomplete. Although current research indicates that abusive supervision is driven by a direct urge to attack individual workers, some leaders are motivated by more pro-organizational institutions and use coarse supervision as a means of achieving goals (Watkins et al., 2019). In particular, to achieve their objective of enhancing employee efficiency, leaders often exercise harsh monitoring of their workers.

In the current context, leaders often face tension when attempting to enhance performance and at the same time trying to treat their workers with dignity, leaders implicitly and specifically balance the advantages of performance when determining how to handle their employees against

the costs of employee welfare. This implies that it is legal for leaders to act in this manner (i.e., abusive supervision) as an intermediary to deter fraud when rough supervision is required under such circumstances (e.g., budgetary slack).

Furthermore, abusive supervision could be explained by social learning theory. Individuals will respond to contextual stimuli by imitating their role model actions (Bandura, 1977). The theory of social learning suggests that if a middle-level leader encounters a senior leader who conducts rough supervision of organizational workers, the middle-level leader will infer that rough supervision is a normatively acceptable and beneficial way of guiding the organization in the sense of abusive supervision. So, it contributes to behaving kindly. Therefore, abusive supervision is not only interpreted in negative connotations, in line with the research of Watkins et al. (2019), but may also contribute to optimistic, pro-organizational behavior, for instance, tends to be low in carrying out budgetary slack.

The findings of the second hypothesis test show that subordinates with an external locus of control tend to commit budgetary slack than subordinates with an internal locus of control. In line with the meta-analysis of Mudrack (1990), the locus of control is negatively linked to the dispositional essence of Machiavellianism, indicating that the internal locus of control tends to rely on their efforts rather than coercion and deceit to achieve the desired target. Not surprisingly, the knowledge that directly or indirectly offers connotations relevant to self-esteem is more susceptible internally than externally (Phares, 1976). If employees assume that their job roles are produced and handled rather than that their job roles are decided by their company, boss, or colleagues, they should feel more competent and mentally energized (Spreitzer, 1995). This optimistic appraisal of job roles can be correlated with more positive affective responses to the work environment, such as becoming more comfortable with their job and showing attitudes and behaviors that demonstrate a commitment to the organization (i.e., the intention to lower budgetary slack). Although the external locus of control is not addressed in detail in the organizational literature, it is more complex since it relates to the assumption that effects are controlled by external forces. The influence of those who are good, chance, destiny, opportunity, social structure, or the difficulty of the challenge may create these external forces (Rotter, 1966). External control locations tend to look at themselves as victims of the potential challenges and climate and have a passive role in deciding the results that they would eventually achieve (Ng et al., 2006). Therefore, budgetary slack is more likely to be carried out by subordinates with an external place of power.

The results of testing the third hypothesis show that for subordinates who have an internal locus of control, slack appears to be lower when abusive supervision is poor. The role of personality in abusive supervision has been clarified by previous studies. On the one hand, abusive supervision is carried out at a lower level by a friendly, fair, and humble chief (Breevaart & de Vries, 2017). On the other hand, hostile, skeptical, and Machiavellian leaders tend to engage in abusive oversight (Kiazad et al., 2010). Therefore, as a result of the personality of the leader, leaders are more or less likely to be involved in abusive supervision.

The internal locus of control is positively related to the organizational environment (Domino et al., 2015). The locus of control also demonstrates a relationship to behavioral effects, such as job success (Johnson et al., 2015). Also, the internal locus of control is often positively connected to individual actions (for example, the behavior of corporate citizenship) and its dimensions (i.e. assistance, sportsmanship, and civic virtue;) (Turnipseed & Bacon, 2009). Therefore under low abusive oversight, individuals with an internal locus of control tend to perform low budget slack. The idea is if a person has a leader who is friendly and truthful, and the person has the power of what he is going to do, he tends to act in compliance with organizational objectives.

Conclusion

Based on the findings of hypothesis testing, there is more tendency to create budgetary slack on subordinates who have an external locus of control than subordinates who have an internal

locus of control. In subordinates that have a poor internal locus of control and abusive supervision. Slack appears to be lower. The findings of this study also show that the relationship between abusive supervision and budgetary slack relies on the subordinates of the target and the leader's personality as well.

There are theoretical and practical consequences for the findings of this analysis. By offering an understanding of the impact of abusive supervision and locus of control on the propensity of subordinates to perform budgetary slack, this study adds to the management accounting literature. In practice, this study provides the organization with information that abusive supervision and locus of control have an effect on budgetary slack, which is beneficial for management to devise strategies to discourage unethical conduct by enforcing morally valid abusive supervision and also encouraging subordinates' internal locus of control.

There are some drawbacks to this analysis and it can be seen as a chance for further studies. This research used an experimental approach to analyze the effects on the propensity of subordinates to create budgetary slack under abusive supervision and locus of control. The case instrument in this research is the simplified case for the sake of experimental needs, while practice in the work would be more complex than the case in the instrument. There are many other variables that we can not set in this study that might affect budgetary slack. Furthermore, a possible drawback could come from the use of students as participants. Therefore, there is limited external validity in generalizing the results. Future studies could use another method, such as survey or archival data to evaluate the variables used in this research.

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