Oral Defense Announcement
University of Missouri – St. Louis Graduate School

An oral examination in defense of the dissertation for the degree
Doctor in Business Administration with an emphasis in Accounting

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Budget Gaming: Politics, Ethics, and Compensation

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Abstract
Practitioners are frustrated with the budgeting process, frequently complaining that budgets cause undesirable and political behaviors in the organization (Jensen, 2001). One of the most frequent problems is budget gaming, which critics consider non-value added and frustrating. In a 2010 survey, over 95% of respondents acknowledged that budget gaming exists at least “occasionally” (Libby & Lindsay, 2010). Previous studies indicate budget gaming is frustrating, prevalent, and wasteful (Hansen et al., 2003; Libby & Lindsay, 2007; Neely et al., 2003).

I conducted an experiment to investigate organizational influences (organizational politics, compensation structure, ethics attestation) and their impact on budget gaming. The results of the experiment indicated that the political environment and compensation structure does not make a difference in the level of budget gaming. Results indicated that 76% of participants gamed the budget. Half of the experiment participants were in an ethics condition (signed an ethics attestation). Of the participants in the ethics condition, 39% who signed the ethics attestation also gamed.

This finding is interesting because the budgeting process (division of resources) was found to make a difference in political behavior (Allen et al., 1979; Kacmar & Baron, 1999). In addition, this study is inconsistent with the claims of Jensen (2003) that severing the link between the budget and individual compensation will reduce budget gaming. The ethics attestation made a significant difference in budget gaming but not in the expected direction. Participants signing an ethics attestation gamed more than participants who did not sign an ethics attestation. Qualitative comments indicated many participants felt that gaming the budget was not an ethical issue. Only 24% of participant comments indicated gaming was unethical. This study reviewed budget games in two categories: (1) accelerating or delaying revenues and expenses and (2) under committing to revenue, fixed expenses, and long-term project expenses.

Defense of Dissertation Committee
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