


## Constitution of budgetary slack in the budgetary planning and control process: evidence from two family businesses


Constituição da folga orçamentária no processo de planejamento e controle orçamentário: evidências de duas empresas familiares

Constitución de la liquidación presupuestaria en el proceso de planificación y control presupuestario: evidencia de dos empresas familiares


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### Abstract

The research aims to understand and discuss the constitution of budgetary slack in the planning and control process of two- family businesses with different management structures, from the perspective of Structuring Theory. Using a qualitative approach, two case studies were carried out in two family businesses, with different management compositions. The categories analyzed were: respondent profile, family involvement in management and constitution of budgetary slack. It was possible to understand the companies share the vision of budget process relevance, but with particularities regarding this process depending on the profile of family involvement in business management. Among the research contributions is the development in the management area with the Structuring Theory support, the results bring an in-depth analysis in two companies with heterogeneous management compositions, it was identified how much the managers who use the budget knew the concept of budgetary slack and whether the structure of the Management Control System impacts the constitution of budgetary slack.

**Keywords:** Budgetary Slack; Family Businesses; Heterogeneity; Structuring Theory

### Resumo

A pesquisa objetiva compreender e discutir a constituição da folga orçamentária no processo de planejamento e controle de duas empresas familiares com estruturas de gestão distintas, sob a ótica da Teoria da Estruturação. Mediante abordagem qualitativa foram realizados dois estudos de casos em duas empresas familiares. As categorias analisadas foram: perfil do respondente, envolvimento da família na gestão e constituição da folga orçamentária. Foi possível compreender que as empresas compartilham a visão da relevância do processo orçamentário, porém com particularidades quanto à condução deste processo em função do perfil de envolvimento da família na gestão do negócio. Dentre as contribuições da pesquisa tem-se o desenvolvimento da pesquisa na área gerencial com apoio da Teoria da Estruturação, os resultados trazem uma análise aprofundada em duas empresas com composições heterogêneas de gestão, identificou-se o quanto os gestores que utilizam o orçamento conheciam o conceito de folga orçamentária e se a estrutura do Sistema de Controle Gerencial impacta na constituição da folga orçamentária.

**Palavras-chave:** Folga Orçamentária; Empresas Familiares; Heterogeneidade; Teoria da Estruturação

## Resumen

La investigación tiene como objetivo comprender y discutir la constitución de la holgura presupuestaria en el proceso de planificación y control de dos empresas con diferentes estructuras de gestión, desde la perspectiva de la Teoría de la Estructuración. Utilizando un enfoque cualitativo, se llevaron a cabo dos estudios de caso en dos empresas familiares, con diferente composición gerencial. Las categorías analizadas fueron: perfil del encuestado, implicación familiar en la gestión y constitución de holgura presupuestaria. Se pudo comprender que las empresas comparten la visión de la relevancia del proceso presupuestario, pero con particularidades en cuanto a la conducción de este proceso dependiendo del perfil de involucramiento familiar en la gestión empresarial. Entre los aportes de la investigación se encuentra el desarrollo de investigaciones en el área de gestión con el apoyo de la Teoría de la Estructuración, los resultados traen un análisis en profundidad en dos empresas con composiciones gerenciales heterogéneas, se identificó en qué medida los gerentes utilizan el presupuesto. Conocía el concepto de holgura presupuestaria y si la estructura del Sistema de Control de Gestión impacta en la constitución de la holgura presupuestaria.

**Palabras clave:** Brecha de Presupuesto; Empresas Familiares; Heterogeneidad; Teoría de la Estructuración

## 1 Introduction

Budget slack is understood in the basic literature as the underestimation of revenues and/or overestimation of budget expenses (Merchant, 1985), which has implications for how companies organize the allocation of their resources, planning and control of their activities. Although budget slack, conceived as a phenomenon arising from the budget process (Nazarova, 2014), has received some attention from academia in recent years, it still demonstrates the need and opportunities for research. A state-of-the-art analysis from 1978 to 2021 on the subject was carried out, and the studies are still fragmented and/or inconclusive, especially with regard to the practical application of slack, thus proving to be a fruitful field for new research.

In previous literature, for example, there are studies that discuss slack and its role in environments with high uncertainty (Fadol et al., 2015), multiple objectives (Dávila & Wouters, 2005), as well as evidence on how the use of budgetary slack can allow flexibility in companies where the resource distribution is strongly guided by the budget (Elmassri & Harris, 2011; Nazarova, 2014). Studies emphasizing the behavioral aspect of slack in terms of its link to the company's reward system have also been the focus of interest in recent years (Church et al., 2012; Beuren et al., 2015, Church et al. 2019). In Brazil, the topic has also advanced, specifically discussions on informational asymmetry in the relationship between budget participation and budget slack (Herculano & Chiarello, 2016) or analyzing budget participation and slack, moderated by uncertainty (Peyerl et al., 2020), analyzing leadership styles and slack resources, including the budget, prevalent in an industry (Dallabona et al., 2019) or slack and the quality of information in innovation performance (Beuren et al., 2020).

Thus, there has been progress in recent years in the state-of-the-art development on the subject of budgetary slack, however, this literature is still fragmented in terms of interest in discussion, theoretical-methodological perspective, as well as the application, and therefore configures the gap of interest. Thus, by dealing with the creation of budgetary slack in family businesses with different management structures, this study makes it possible to advance the line of research on the subject, interested in discussing how the organizational and control structure can affect the budgetary process and, consequently, the creation of budgetary slack.

In addition to it, this research is also based on structuring theory to understand the role of the actors and structures involved in the phenomenon (constitution of slack), thus marking an advance on previous literature, which has traditionally used agency theory (Jensen & Mecking, 1972) to discuss slack. Considering the heterogeneity of family businesses in terms of family involvement in the business and influence on the management process, the family business becomes an interesting and complex type of company to the planning and control process, as the management of these companies can be made up of family members and non-family members (Alessandri et al., 2018). Among the particularities that distinguish the family business structure are the family permanence, the succession process, the heritage perpetuation within the family and socio-emotional wealth (Berrone et al., 2010; Chrisman et al., 2012)

It is assumed that budgetary slack in family businesses where family members are predominantly involved in budgetary control reduces the possibility of using budgetary slack. According to McDonald (2003), a higher margin of resources could be perceived as inefficient control by management because it exceeds what is necessary. On the other hand, in a company where management is carried out by third parties (non-family members), the creation of slack may represent a flexible option (Lukka, 1988; Kahar et al., 2016; Santos et al., 2022) to reduce budget adjustments with family members' approval.

Thus, there is a gap in the constitution of budgetary slack in family businesses with different management structures. The problem that drives this research is: **how is budget slack created in the planning and control process of two-family-businesses with different management structures?**

Therefore, the aim is to understand and discuss the constitution of budgetary slack in the planning and control process in two companies with different management structures, from the perspective of Structuring Theory. To develop this research, two case studies were carried out in family businesses. The participating

companies have different management compositions, one with a predominance of family members in management positions and the other in which management is made up entirely of non-family members.

It is appropriate to investigate family businesses with different management compositions (large and without restriction of the economic sector, with management open (or not) to members who are not part of the family), based on the view that management carried out exclusively by family members would not be free from influences on emotional and family relationships. In addition to it, the integration of non-family members enables a decision-making process with greater managerial efficiency in terms of organizational interests (Muzzio & Silva Júnior, 2014).

Given the management characteristics of family businesses with different compositions, from Structuring Theory, this research is justified by the contributions on the specificities of budget slack, observing the manager's role in planning and management control to achieve organizational objectives.

It is therefore an innovation to analyze the constitution of budgetary slack in two family businesses with heterogeneous management in terms of family ties and, consequently, positions held by family members. This objective is based on the duality of the structure of Giddens' Structuring Theory (2009), a theorem which provides an understanding of the interaction among managers, whether family members or not, and the rules of the family business structure.

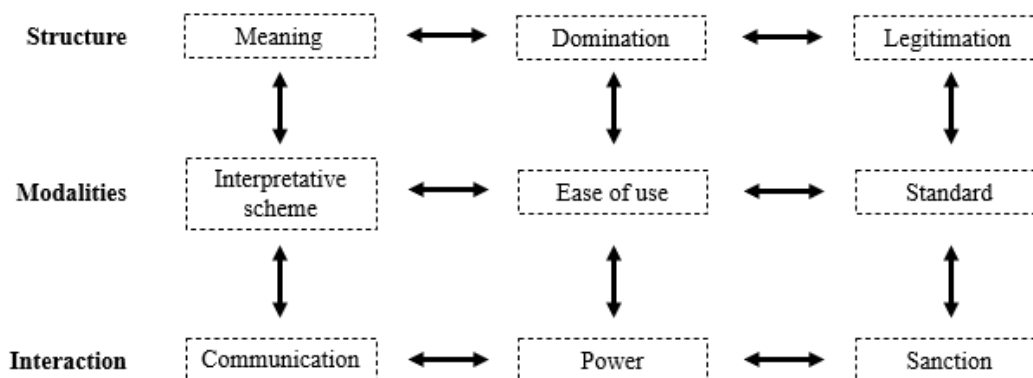
This study also contributes to the literature on complementary approaches to the *mainstream* in management accounting research (Ryan et al., 2002; Lourenço & Sauerbronn, 2018). The interpretivist perspective makes it possible to have more deeply into a particular phenomenon in management than research with neoclassical characteristics might not achieve. The use of Giddens' social theory to understand the interaction among agents and organizational structures seems to be a long way off (Wanderley & Cullen, 2011; Lourenço & Sauerbronn, 2018).

## 2 Theoretical Platform

### 2.1 Structuration Theory

Social practices and how agents structure them constitute the Structuring Theory approach. This theory is not intended to explain impacts, but rather to understand the structuring relationship, the interaction among the structure and the agents' actions in a subjective way. According to Giddens (2009, p. 35), structure comprises "the set of rules and resources involved, in a recursive way, in social reproduction; the institutionalized characteristics of social systems have structural properties that relations are stabilized through time and space". On the other hand, rules and resources are systems present in structural properties and the interpretative mode focuses on the interaction between structure and action (Giddens, 2009) and the agent's role is understood in such a way that each event makes it possible to act differently, intentionally or unconsciously (Giddens, 2009).

About the duality involving structure and action, the structuration's theory (Giddens, 2009) emphasizes the structure comprises the rules and resources that exist in virtual form and that, through the recursive relationship, the structure allows social systems to be reproduced over time through the interaction of agents. On the other side of this duality are the actors participating in the social system with the capacity to act, through interpretation and behaviors that generate intentional or unconscious changes due to the fact that they are part of the social system (Giddens, 2009). The graphic representation of the elements proposed by Giddens demonstrates the structure duality and its pillars.



**Figure 1 - Dimensions of structure duality**  
Source: Giddens (2009, p. 34).

According to Junquillo (2003), the structure duality is connected by structure and human action (interaction) in three modalities: interpretative scheme, facility and norm, represented in Figure 1 of Giddens' (2009) dimension model of structure duality. The modalities therefore play a mediating role among the structure dimensions (signification, domination and legitimation) and interaction, and represent the agents' cognizance of the structural components (Junquillo, 2003).

The term dualism in philosophy represents the existence of two opposing realities. The duality here focuses on the interaction of agents and structures. The central focus of Structuration Theory is social systems. In this study, the structure duality model will be applied to a family business environment represented by two companies operating in the manufacturing and wholesale sectors, with heterogeneous governance as one has family representatives in the management and the other has only non-family members in the decision-making process. The aim is to understand the domains of structure and interaction, according to the dimensions of the structure duality (structure and interaction), through the intermediation of the modalities addressed by Giddens (2009).

The interpretive schema modality highlights the knowledge of social agents and managers about reality and enables the action of sharing, interpreting and communicating meanings in interaction with the structure (Junquillo, 2003), which in this study is the environment of family businesses. Thus, interpretative schemes condition the interaction between managers' communication and offer meaning to the social rules of the structure.

When looking at the model proposed in Giddens' Structuring Theory (2009), it should be noted that human actors monitor their activities and those of other agents. In this way, interpretative schemes are incorporated into the actors' 'stock' of knowledge. These stocks of production and reproduction of interaction are reflected in sustaining communication. This cognizance of the social agent is represented by the modality that intercedes structure and interaction. The "structures of signification always have to be apprehended in connection with domination and legitimation, the more this leads to the pervasive influence of power in social life" (Giddens, 2009, p.37).

The link called by Giddens as "facility" in the structure duality model is the means that agents use to achieve their objectives, considering domination at the level of structure and power in the interaction dimension. Family business managers have goals and results to achieve. Thus, this modality refers to the power in interaction (Junquillo, 2003), i.e. the ability to change reality through action (Giddens, 2009).

The explanations of the sociological relationship between human behavior and structure in social research comes up against the problem of the epistemological position chosen by the researcher. Efforts must focus on the dynamics of social phenomena. The Giddensian proposal, when considering the methodological framework for observing the social phenomenon of interaction, emphasizes the action interpretation of social subjects as influencing and transforming the society functioning.

The norm modality refers to the rules and codes that guide agents' actions. In the interaction domain, it is the moral order, the rules can facilitate or restrict conduct and in the structure domain, these norms allow for the legitimization of a certain order. Thus, this modality relates institutionalized actions in the structure, reinforcing normative orders of social interaction (Junquillo, 2003). The behavior of family business managers, whether or not they are family members, is the result of institutionally legitimized norms through strategic planning and managerial artifacts, which is the context investigated in this research.

This integrated relationship between the structure and the agent's action is highlighted in scientific production in accounting, expanding the structuration's perspective in the objects of accounting, mainly involving management control (Santos et al., 2019). So, it becomes possible to look at the manager from the perspective of Structuration Theory and understand the agent's cognizance in different management structures in company family members, based on their interpretative capacity for the planning and control process.

In this study, Structuration Theory is used to understand the impact generated by the management process on the constitution of budgetary slack in family businesses, even if they have heterogeneous management structures. The proposal of Structuring Theory is in line with the research objective, since the actions of individuals (management members who participate in the budget preparation process) and the delimitations of rules and resources (structure) will be analyzed in the context of a family business. So, the article contributes to the line of research in management accounting that seeks to understand phenomena from an alternative perspective to the positivist current (Lourenço & Sauerbronn, 2018).

## 2.2 Family businesses

Family continuity, the succession process, the perpetuation of assets within the family and socio-emotional wealth are among the characteristics that define the family business structure (Berrone et al., 2010; Chrisman et al., 2012). Family businesses are basically distinguished by their "family ties" (Ricca Neto, 1998). However, the participation of management members in family organizations can take different forms. A family business can be one that has carried out the succession process or has family representatives at the head of decisions or on the board of directors, as well as distributing the power of management decisions to members not belonging to the company's founding family. It can therefore be inferred that family businesses have heterogeneous governance (Melin & Nordqvist, 2007).

There are different classifications of what a family business actually is. Dawson and Mussolino (2014) carried out a systematic review of the literature in order to highlight what classifies family businesses as different from non-family businesses. The authors presented three constructs that are identified in this approach: socio-emotional wealth, essence of family business and familiness. About the approaches presented by the authors, the construct to be used by this research will be *essence of family business* (Chua



et al., 1999), although the terminology used as a category will be family involvement, considering that it is an element of the family *business* approach.

Family businesses are classified as having transgenerational family control (expectation that the future successor will be a family member) and family involvement (commitment that demonstrates alignment among family and company interests in a predominant way) (Chrisman et al., 2012). In family businesses, the roles of ownership and management can differ depending on the governance structure. As such, the management of a company defined as family-owned can include individuals belonging to the family as well as external members (Gimeno et al., 2010).

In a complementary way, through the literature on the taxonomy of the essence of family businesses, four types of family businesses have been identified in the Brazilian context, according to Frezatti et al. (2022, p. 1): "family control with low homogeneous values, dedicated family control with strong values, family business after the founder's time with strong values and family involved in control and management with supportive employee values". This research has contributed to an understanding of the heterogeneity present in family businesses, i.e. the involvement of the family in the ownership and management structure, and its reflexes in terms of governance and control mechanisms vary from company to company, and thus reinforces the importance of analyze the consequences of this heterogeneity, for example, with regard to the constitution of budgetary slack.

Looking specifically at the elements that make up the governance structure of family businesses, there are: the family meeting, the assembly, the board of directors, the advisory board, the executive board, the chief executive officer (CEO) and the family council (Frezatti et al., 2022). Regarding the family meeting, its characteristic is its informality and frequency, which depends on each company. The family council, on the other hand, is a more formal structure and its approach is the governance exercised by family members, and this structure is more commonly used in larger companies (Nordqvist et al., 2014).

Another perceived body in family businesses that aims to contribute to the business management is the advisory board. It has similar advantages to more formal boards, allowing for the analysis of resources and the definition of responsibilities. However, it is used in companies that have been on the market for less time and are smaller in size (Gersick & Feliu, 2014). Finally, the board of directors is a body that enables the definition of strategies to achieve the organization's goals and, depending on the structure of a family business, can contain family and non-family members (Anderson & Reeb, 2003).

Since heterogeneity must be taken into account in organizational design (Westhead & Howorth, 2007) and assuming different management compositions (family and non-family members), family governance may have an impact on strategic guidelines such as the structure of MCS used in the company.

The management tools contribute to family governance, whether in understanding, implementation and maintenance of the business budget, which supports the planning and control process. When the company is managed by family members, a strong influence on the decision-making process is expected (Arteaga & Escribá-Esteve, 2021) and considering the aim of this study to investigate the impact of MCS on budget slack in family businesses, carrying out case studies in family businesses with heterogeneous governance seems to be opportune for building knowledge in the management area.

### 2.3 Budget Slack

Onsi (1973, p. 535) defines budgetary slack as "the difference among the total resources available to a company and the total needed to maintain the organization's coalition". The concept of budgetary slack is understood to be: The superior margin of budgetary resources available to decision-makers in order to contribute to the maximum performance of the organization's productive or service capacity.

In this context, according to Faria et al. (2012), budgetary slack makes it possible to make premeditated adjustments, which make it easier to achieve the proposed objectives and are carried out by managers, in which they add obligations and underestimate the productive efficiency of budgeting.

The corporate budget can contain the element of budgetary slack which, conceptually, can allow flexibility and agility in the decision-making process. However, this expansion of resources is seen by some scholars as positive (Cyert & March, 1963; Santos et al., 2022) and by others as a problem precisely because it represents comfort to individuals who have goals to achieve (McDonald, 2003; Borge et al., 2008).

The process of drawing up the budget and the need to comply with it can generate a series of behaviors, such as the creation of budgetary slack (Haliah, 2021). The slack in resources makes it possible to organize and maintain the activity in relation to environmental changes that require alterations in the way the business therefore operates as a gimmick for the management (Pfeffer & Salancik, 2003). Cyert and March (1963) saw an important role for the slack in organizational resources for good long-term performance, innovation and company strategy.

The delimitation of budgetary slack can be seen from different perspectives in the literature. While there are authors who see it as a source of protection against unexpected organizational challenges and a margin to meet or even exceed budgeted targets (Kahar et al., 2016; Santos et al., 2022), it is also criticized for representing inefficiency (Borge et al., 2008) and unnecessary expropriation of resources by the manager (Church et al., 2012).

McDonald (2003) pointed out that there were business researchers who pointed to slack resources as a negative decision precisely because it left resources idle. Surplus resources in the organization were perceived as a lack of management control and, therefore, would require greater effort to minimize what exceeded what was necessary for the organization's activities (McDonald, 2003).

The use and operationalization of budgetary slack takes place according to the company's management structure, being an element that influences the corporate budget according to the Management Control System (MCS) practiced by managers. Budgetary slack can also be analyzed from a behavioral perspective, which suggests that managers can use these resources to consolidate the organization's core activities and promote strategies that create value (Vanacker et al., 2017). In this context, the fact is that the use of budgetary slack can contribute to the organization's objectives by generating competitive advantages and better performance (Cyert & March, 1963; Dunk, 1993; Santos et al., 2022).

From this perspective, for this study, the analysis of organizational structure will look at the model proposed in Giddens' Structuring Theory (2009), investigating the operationalization of budget slack and the involvement of actors (managers) in the process and in monitoring other participating agents. The aim is to understand the domains of structure and interaction, according to the dimensions of the structure duality. The structure duality model will be applied to a family business environment represented by two companies operating in the manufacturing and wholesale sectors, with heterogeneous governance as one organization has family representatives in the management and the other only non-family members in the decision-making process.

### 3 Methodological Path

#### 3.1 Research Characterization

The methodological approach chosen for this research was qualitative. The *corpus* of this research was built through interviews (King, 2004; Dai et al., 2019) and documentary research with analysis of the organizational chart provided by the companies.

In line with the study purpose, two family businesses were intentionally selected with different management structures: one with predominantly family members in management positions and the other with non-family members. It should be noted they are organizations in the manufacturing (food products) and wholesale and distribution sectors in the Southeast. In order to guarantee access to the environment of the companies participating in the case studies, the research project was submitted to and approved by the Research Ethics Committee.

For the data collection process, semi-structured interviews were carried out, allowing for supplementation with questions not previously structured in the guide, but which added to the themes or considerations emerging during the questioning process (Greene, 1998; Douglas, 1985; Qu & Dumay, 2011; J. Rubin & S. Rubin, 2012; Lune & Berg, 2017). Understanding the need for well-defined and well-structured delimitations for the development of the interviews, the research protocol was used in accordance with the guidelines set out by Stake (1995)

The interviews began in September 2021, due to the repercussions of COVID-19 pandemic, and were mostly conducted remotely with technology support. The participants were chosen according to their organization position, their knowledge and involvement in the budget process in order to identify elements of budgetary slack practice. To guarantee the anonymity of both the companies and the interviewees, the companies will be referred to in the study as Company A - Distributor and Wholesaler and Company B - Industry and Commerce. The position name of each respondent and their respective company will be used when they are mentioned during this research.

Before carrying out the interviews, the script was discussed with five professors to check comprehensibility and the suggestions received were incorporated into the interview script. A total of 11 interviews were carried out. The interviews were carried out after presenting the case study protocol to the Administrative and Financial Director and the Superintendent/CEO, as well as the Informed Consent Form (ICF) to the participants, who authorized both audio and video recording for later transcription and analysis of the interviews.

The template analysis approach by Nigel King (2004) was used to analyze the data. The interviews were analyzed based on a list of codes (templates) defined by the researchers and structured in a hierarchical way with main and secondary themes of the study's objective. The codes defined for the data analysis process are shown in Table 1.

**Table 1**

*Template analysis: codes*

Category (Blocks)	Code	Structuring Theory Dimension	Modalities of Theory
1. Respondent profile	1.1 Graduation and professional trajectory	Interaction	Interpretative Scheme
2. Family involvement in management	2.1 Family involvement	Structure / Interaction	Interpretative Scheme

Category (Blocks)	Code	Structuring Theory Dimension	Modalities of Theory
3. Creating budgetary slack	3.1 Structure of MCS	Structure	Interpretative Scheme
	3.2 Involvement with the budget process	Structure	Standard
	3.3 Centralized or Decentralized Decision	Structure	Standard
	3.4 Type of budget	Structure	Standard
	3.5 Recognition of the budget as rigid or flexible	Structure / Interaction	Interpretative Scheme
	3.6 Impact of the budget on goals	Structure / Interaction	Interpretative Scheme
	3.7 Impact of the budget on activities	Structure / Interaction	Interpretative Scheme
	3.8 Perception of budgetary slack	Interaction	Interpretative Scheme

After constructing the *template analysis*, the procedure of organizing the codes into blocks aligned with the research objective and the questions asked in the interviews began. In order to get to know the participants in the case studies, Table 2 shows the information collected regarding the position, family ties, time in the company, academic background, whether the interviewees had experience in other positions and the time of the interview.

**Table 2**  
*Profile of respondents*

Position	Family member	Time in the company	Academic background	Previous experience (or other positions)	Time
<b>Company A - Non-family management</b>					
Superintendent/ CEO	No	21 years (10 in office)	Degree in Accounting and Postgraduate Diploma in Finance	Accounting and controlling sector	01:02:00
Controller	No	27 years (9 in office)	Undergraduate degree in Accounting and postgraduate degree in Controllship and Finance	Internal audit, accounting and tax	01:01:29
Commercial Manager	No	19 years (3 in office)	Degree in Administration and Human Resources Management	Purchasing and sales area	00:33:51
Innovation and New Business Manager	No	3 and a half years (1 in post)	Degree in Business Administration	Project analyst, operations coordinator and business manager	02:08:43
Telesales Manager	No	16 years (7 in office)	Graduation in Pedagogy, Post-graduation in School Supervision and Management and Post-graduation in Business Pedagogy and Neuro Pedagogy	Sales area, training and HR analyst	00:39:49
<b>Company B - Predominantly family-run</b>					
Administrative/ Financial Director	Yes	12 years (3 in office)	Law Degree and Postgraduate in Tax Law	Legal and Finance Department	00:40:32
Commercial Director	Yes	16 years (3 in office)	Degree in Marketing	Commercial and Marketing Area	00:48:25
Operations Director	No	17 years (2 in office)	Degree in Business Administration and Postgraduate in Management and Marketing	Logistics Department	01:21:50
Controller	No	12 years (2 in office)	Undergraduate degree in Accounting and postgraduate degree in the area of Costs	Purchasing and Controllship Area (analyst for 6 years)	01:11:43
IT Manager	No	2 years	Degree in Information Systems	Technology Area	00:54:45
Commercial Manager	No	10 years (3 in office)	Degree in Business Administration	Commercial Area	00:53:28

Table 2 shows the profile of each respondent from Company A (five respondents) and Company B (six respondents). The length of time the interviewees have been with the family business is relevant, as it shows they have experience of management activities related to the rules and structure of the budget process. Knowing the profile of the respondent helps us to understand how the interaction between the agent (interviewee) and the company structure (rules) is constructed, as advocated by the structure duality (Giddens, 2009). These relationships enable transformations and constructions of institutional elements. In this interaction, the managers interpret the management process according to the rules of the family business.

## 4 Result Analysis

### 4.1 Company A

Company A is part of a family business group that has been operating in the wholesale and distribution sector since 1961. It has the following characteristics: the succession process (second generation family) and the fact that there are no family members in management, only on the Board of Directors. The hierarchical structure of Company A is shown in Figure 2.

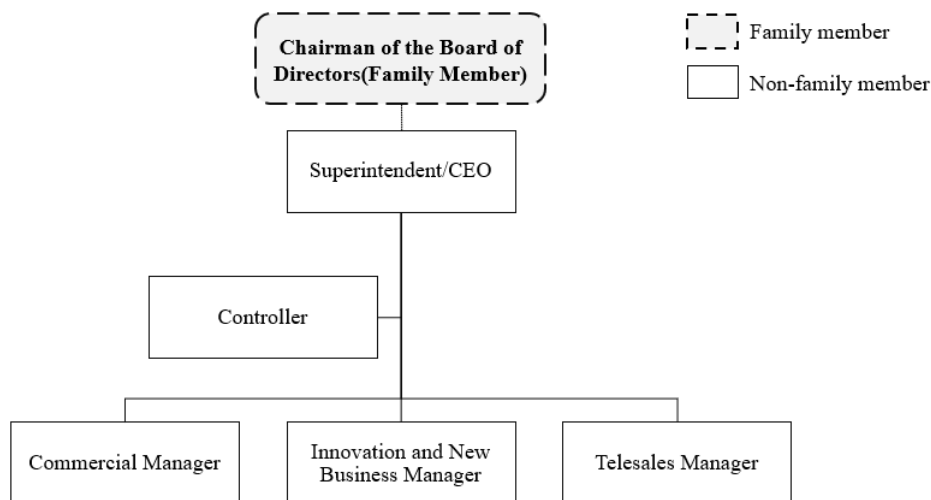


Figure 2 - Family participation Company A

It should be noted that Company A does not have any family members among the positions related to the management process; according to the literature, management can be made up of family members as well as members from outside the family (Gimeno et al., 2010).

Considering Company A's management has no family members and that it has already gone through the succession process, we asked about the occurrence of meetings with family members. The Superintendent/CEO of Company A said that formal meetings only take place through quarterly meetings with the Board of Directors and monthly meetings with the Chairman of the Board - the founder's daughter.

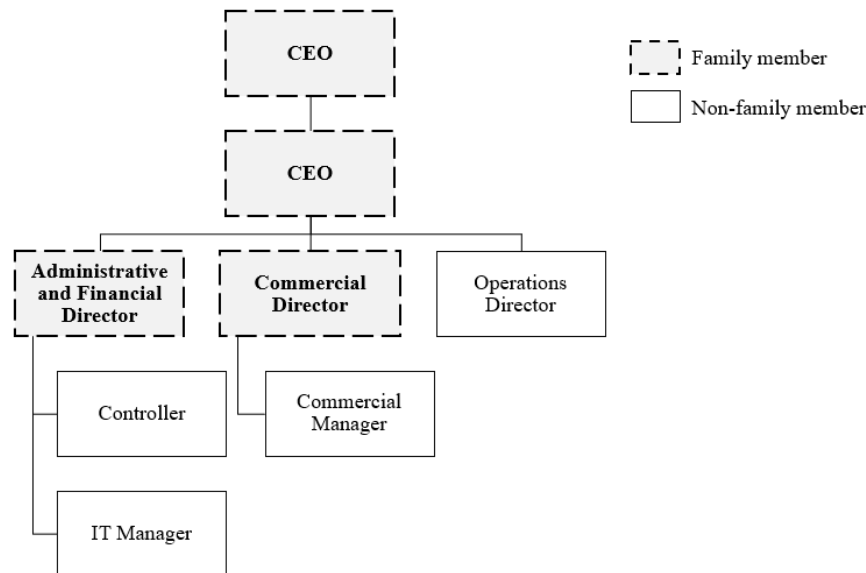
There is no informal meeting to conduct the operation, there is a meeting with the majority shareholder, she participates as the president, but she is the owner so once a month, we see the results, she monitors and the presentation of the Income Statement. So, what we do with the Board of Directors every three months, she does monthly, but it's this account rendering, much more accounting statements, even DRE, Cash Flow, things like the operation, no. (Superintendent/CEO - Company A).

When the Superintendent/CEO mentions the way in which results are accounted for, there is compatibility with what has been presented in the literature. In other words, the inclusion of professionals from outside the family in management positions is justified considering the skills they need for the job. However, formal controls are maintained, as in this case where, even though she doesn't take part in drawing up the budget, the CEO of Company A is informed every month about the figures achieved by management.

### 4.2 Company B

Company B's trajectory began in 1983 with door-to-door sales by the company's then founder. After a few years, in 1991, with his two sons, Company B was set up and the industrial process began. Company B is managed by family members in the positions of CEO, CFO, Administrative and Financial Director and Commercial Director. The hierarchical organization of the positions is shown in Figure 3.





**Figure 3 - Family participation Company B**

Company B has not gone through a formalized succession process, yet, although the CEO, the founder's son, is responsible for decisions and approvals. At Company B, the Board of Directors is made up exclusively of family members. Longenecker, Moore and Petty (1997) mention that the participation of family members in the company control makes it a family business, even if the succession process has not taken place yet.

After identifying how family involvement occurs in the management structure of Company A and Company B, we move on to identify the budgeting process, looking for know how it is planned, executed and controlled, how the budget impacts on goals and activities.

### 4.3 Analysis of the evidence on the constitution of Slack in the light of structuring theory

#### 4.3.1 Company "A"

Knowing the structure of the Management Control System (MCS) of 'Company A' has made it possible to understand how the management process is structured in the company, whether the budget is drawn up based on the company's strategic planning and whether it is the organization's practice to determine budget assumptions and forecast scenarios. It is worth to notice the case study began in 2021, during COVID-19 pandemic. As this was an external occurrence in which managers did not have solid information on what the next steps would be to keep the business running, some of the answers were compared to the unpredictable scenario.

About the budget, at 'Company A' it is prepared at the end of the year for the next period and he is responsible for defining the guidelines. The budget guidelines for the following year are defined by the Superintendent/CEO, but the Controller is responsible for preparing the budget information base which the managers will use to suggest the budget needed for each area.

For next year's budget [...] I define the guidelines: growth for next year, looking at market indicators, both for our sector and in general, such as inflation. [...] Afterwards, we present these budgets to the shareholders, to be approved at the General Meeting. [...] The Controller, from the Controlling and Finance departments, makes the budget for his area and prepares the basis for the others to make budgets for their areas as well. [...] every major manager in each area is involved in this process to make the budget for their area (Superintendent/CEO - Company A).

Based on the knowledge that the budget, in conjunction with strategic planning, can contribute to the management, planning and control process in a formal way (Bornia & Lunkes, 2007; Eyerkauffer et al., 2014), the interviewees were asked whether the budget is based on Strategic Planning. At Company A, considering that strategies are drawn up based on organizational objectives, the Superintendent/CEO stressed that Planning is used, but it is not a limiting factor and the budget is drawn up based on an understanding of the current demands of its customers, and is therefore adjusted when necessary. The Controller said that as Strategic Planning is aimed at a longer period, some perspectives may change in the period from one budget and the next:

We've already had this more rigorously, when we talk about strategic planning [...] the budget is built in principle by sales planning. [...] because all my variable costs are really going to come from my sales perspective and that's where I'm operating [...] when we talk about strategic planning, we've had that

in the past, but today we have something much more dynamic, I'd say (Controller - Company A). Both the Controller and the three managers interviewed at 'Company A' brought up the scenario of the COVID-19 pandemic to exemplify that, even though there is no commitment to forecasting scenarios, measures are taken to adapt to and circumvent new events that could increase costs or reduce revenues.

Regarding the periodicity, flexibility and information base considered in the budget, the Superintendent/CEO of 'Company A' states that the periodicity of the budget is annual and the budget is flexible. However, from the managers' point of view, the perception of flexibility changes and the budget is understood to be rigid, above all with regard to expenses. Like the Sales Manager and the Telesales Manager, who only see flexibility when drawing up the budget at 'Company A', the Innovation and New Business Manager has the same perception.

Superintendent/CEO (Company A)	"As we monitor this very closely and every end of the month, we evaluate the results in general, in relation to what was budgeted, if there is anything that is too distorted, we make adjustments, but to reorganize in our minds what would be an alternative plan rather than anything else. So, the budget that is presented to the shareholder at the beginning of the year doesn't undergo any changes, throughout the year, they are internal changes."
Commercial Manager (Company A)	"When we talk about the sales budget, we have a guideline, sometimes the company says to close with 20% growth, when I do all the analysis, let's say I manage to get to 16% or 15%, I explain why that number and then based on facts that are really coherent, the company does have this flexibility."
Telesales Manager (Company A)	"Flexibility when it comes to drawing it up, then I have to follow it. In fact, we're instructed to try to cut back, so we try to negotiate all the time, how much we're going to increase, only the expenses that we can't afford, we look for other suppliers."
Innovation and New Business Manager (Company A)	"There's no flexibility. Once you've drawn up the budget for both revenue and costs, that's it. And then within that reality, I'll tell you that we have wings with the revenue budget, in others we don't."

Figure 4 - Flexibility in the budget

The **structuring theory** proposes that the organizational structure, like the budget, not only restricts but also enables the actions of individuals. At **Company A**, budgetary slack, although not explicitly formalized, exemplifies this structure duality (Giddens, 2009). Budgetary rigidity is used as a control mechanism, while top management offers implicit flexibility to managers to deal with unforeseen events. Thus, managers are both constrained by the rules and able to modify their practices using unanticipated resources, such as budgetary slack can be seen as a company strategy (Pfeffer & Salancik, 2003). However, if it is not made known to other members of management, there is a fear on the part of senior management that knowledge could lead to inefficiency (Borge et al., 2008) and the inappropriate use of resources (Church et al., 2012).

According to the Innovation and New Business Manager, management is very cautious when it comes to budgeting. Due to the control structure with monthly meetings and the participation of the Controller in the budget preparation process, he is in favor of a leaner budget, as do authors who consider the decision to create a budget gap that could generate idle resources to be negative (McDonald, 2003).

About the Management Structure and Control, it can be seen that the rigidity of budgeting practices reflects the reproduction of formal control structures in Company A. Drawing up "lean" budgets reinforces an organizational culture of control and austerity. However, the budgetary slack, although informal, functions as a contingency adjustment mechanism, allowing the structure to be reconfigured to deal with uncertainty, as an unofficial adjustment tool (Borge et al., 2008; Church et al., 2012).

Perhaps the Innovation and New Business Manager's position of support for inflexibility is related to the fact that he is the longest-serving manager at Company A. Telesales Manager at 'Company A' also said that she didn't know about the concept of budgetary slack and commented that she may have taken advantage of it, but couldn't say for sure. According to her, whenever her area needs to use more resources than have been budgeted and released, she asks the Superintendent/CEO and understands that because it is always allowed, it is within an acceptable margin, thus representing a way of practicing the slack concept of slack even if it is not formalized "within the budget". Figure 5 shows the interviewees' accounts of budgetary slack.

It is therefore understood that Company A has the slack, but it is not disclosed in order to extract the maximum from the managers participating in the budget process to meet the planned targets and results. The practice of concealing slack can be seen as a **legitimate control strategy** or as an **ethical dissonance**, where transparency is sacrificed for fear of inefficiency. This practice can impact **organizational culture** by creating an environment where trust among managers and senior management is weakened (Davila & Wouters, 2005). It can be seen that formal and informal structures are interrelated in Company A's budgeting process, with managers using their autonomy to adapt, reconfigure or resist these structures, especially in times of uncertainty, such as during the pandemic.

Controller (Company A)	“We understand there is a misinterpretation of the issue of having time off, which is an internal view of ours due to the culture, that if I give him (the manager) room to spend more, he will.” “Perhaps it would have to take a back seat, in other words, I present the budget for him (the manager) to carry out, but I would have a second budget here, in other words, I, the administration and the administrators would know about the budget reserve, but with him (the manager) I would try to do it by hook or by crook.”
Commercial Manager (Company A)	“When I say there isn't this slack, in the end there is, because I set my sales budget higher than my purchasing budget, in other words, my buyer here still has an escape valve versus the sales budget, but strategically we have other ways of seeking results. [...] there are two strategies, firstly, my sales budget is a little higher than the purchasing budget and secondly, I have the flexibility to look for new projects, new suppliers without this increasing my budget that I have agreed with the company. As if it were something extra, as if it were a plus, but it's something that I don't start a year with already structured, I have to look for as I see that we're doing well, I try to move the hands here to make this valve help me with the result.”
Innovation and New Business Manager (Company A)	“I see a great deal of rigidity in our system and I see it as very positive, very positive indeed. I can see that the area managers themselves tighten things up a lot. So, we try to work very hard, but even so, I can't tell you that there isn't something that has passed. I can tell you, it does. Sometimes there's a point, an edge in areas that have a lot of expense accounts.”

Figure 5 - Budget slack at company A

#### 4.3.2 Company 'B'

Company B's budget is initially structured by the Controller. He is responsible for looking at the history of operations and then making a projection of what the necessary budget would be. This document is presented to the CEO, who is responsible for assessing and approving it. To do this, the CEO uses the master plan and the definition of growth expectation indicators for Company B as criteria.

The controllership manager draws up the budget timetable and we hold a meeting with the CEO and he gives us the master plan [...] He (the Controller) puts together the budget structure [...]. He presents the CEO with more or less what is projected and we see how much this will give in margin and how much it will give in EBITDA - is that what he really wants? no, no, what I want is 'X' - then he (the CEO) takes an indicator, whatever it is because this varies a lot from company to company, if it's a very large company and says I want to grow EBITDA by 2%, that's already an astronomical figure, if it's a very small company - no, I need to grow by 30%, because if not, I won't be able to sustain myself - so that's what we do in the master plan, after that we bring in the sales manager to build up the sales revenue, we do this by region and by product. After this sales revenue is ready and pre-approved, we go on to build the other indicators, which are fixed costs and the composition of the COGS. [...] then we see if we've achieved what the master plan wanted - Did we achieve what the CEO wanted? No, it didn't. We go back for a second meeting, we present it to the CEO - look, it's not going to be what you wanted -, usually he (CEO) sticks his foot in it and says - it's what I want -, but with a lot of basis, he cuts some things and that's how we move forward (Administrative and Financial Director - Company B).

At Company B, the master plan, defined by the CEO, serves as a guiding structure for budgeting. As mentioned in the literature, top management can define goals and strategies for the organization and family governance influences the guidelines and structure of the MCS. Although managers can propose adjustments to the budget, these proposals need to align with the goals set by the company. Thus, the master plan, although rigid, allows for some negotiation within limits. The structuring theory explains that the CEO acts both as an executor of the structure and as an agent of change when adjusting the budget based on market demands.

The Directors of Company B stated that the budget is drawn up on the basis of Strategic Planning.

Yes, it's guided by the company's strategic planning, we review it, go over it before making the budget and check the history, both of the year we've spent and the growth projection we want and also look at previous years because if there was a line that had a very big deviation, we try to organize that line based on that history. We don't do ZBB (zero-based budgeting), we do it based on history, this is the way we felt would be most appropriate for our business model (Commercial Director - Company B).

Regarding the determination of budget assumptions and scenario forecasting, the participants from Company B said that scenario forecasting is not carried out in a standardized way. According to Company B's Controller, forecasting scenarios is quite complex. But even so, the company has been successful with its estimates, which take historical data into account:

We use this entire database to forecast what the scenario would be for the next three months of expenses, so it really is complex to get all these dynamics right. But we have been successful, we have an overall percentage accuracy level of around 92, 93 in our projections. I don't think we've done too badly in our projections, but the key word here is historical data and organizing it in such a way that it can give us some information, especially with regard to niche markets, where we have reduced

sales or, on the contrary, where there is a possibility of increased sales in regions, especially in terms of variable costs (Controller - Company B).

Regarding the flexibility of the budget, there was a certain distinction between the respondents from Company B. Initially, the Administrative and Financial Director states that the budget is flexible, within the master plan defined by the CEO. However, the characteristic of flexibility mentioned by the interviewee is only present when the budget is drawn up and not when it is implemented, i.e. the Managers can present projects that will be approved or not for the budget, but this does not mean that during the year they can include new expenses that will alter the overall budget.

The Commercial Director of Company B understands the budget as flexible after validation and execution of the budget. When the Commercial Director says that the budget can be adjusted as long as the change is justifiable, this is in line with what the authors Kahar et al. (2016) say about changes to the budget in line with MCS due to demands that were disregarded or unknown at the time of its construction.

Company B's Operations Director confirms the areas can have a level of flexibility among expense lines, although they need the approval of the Directors for such a move. The flexibility mentioned here is within the limits of the budget, but it should be noted that its existence is identified by the presence of budgetary slack, if not in the expense in question, then in another expense (Cyert & March, 1963; Santos et al., 2022), in other words, within the pre-determined amount, there can be relocation among the items of a given cost center/expense.

On the other hand, the Controller and Managers, who are not family members, do not see this flexibility in the budget after approval, but recognize that once the objective in terms of a macro indicator has been achieved, this practice can take place with justification and approval from the board of directors.

In fact, there is no freedom, he (the manager) can propose and we do make adjustments, validated by the Board of Directors, as long as the EBITDA is met. [...] we have a macro commitment to EBITDA (Controller - Company B).

It can be seen that flexibility in the budget is allowed, but under strict conditions, with targets such as EBITDA being non-negotiable. This creates an environment of limited autonomy, where managers can propose adjustments within limits. The structuring theory suggests that these managerial actions feed back into the structure, establishing a culture of conditional adjustments within the company's budgeting practices. The commercial area at Company B, which is responsible for obtaining revenue, has been shown to have greater flexibility due to the role it plays within the company's budget and new business opportunities. Based on these different perceptions, it is understood that the budgetary slack at Company B is not disclosed.

It can be seen that the managers interviewed understand the importance of the budget for achieving targets and, consequently, results, but the perception of management members regarding budgetary slack has yet to be identified. At Company B, the Controller revealed that he didn't know the concept of budgetary slack. After being presented with this concept, he stated that there is no budgetary slack in the company.

For the Controller, the slack could lead to misinterpretation on the managers who, having been informed of the higher margin, would possibly not make the effort to achieve the result. However, he stressed that if this were to happen, it would be a second budget, known only to management and the Controller's Office.

At Company B, with the exception of the Commercial Director and the Administrative and Financial Director, all the other participants answered that they didn't know or knew what budgetary slack meant. The Commercial Director claims to have budgetary slack at Company B, but this is not communicated to the other managers. But in advance, the CEO and Directors understand that the budget can vary throughout the year within a certain margin.

The Operations Director takes the opposite view and says that there is no slack at Company B and it wouldn't make sense to have any. The IT Manager is also against the use of budgetary slack. In his view, it would be something that would not lead to a good fulfillment of the management function (Borge et al., 2008; Church et al., 2012). However, he recognizes that some managers can, especially when they have experience in a particular sector, manipulate figures and thus have more scope for action (Dunk, 1993).

According to the Controller, in the past there was a known margin of slack that was exclusive to the Directors and CEO, but this is no longer practiced. Thus, at Company B, budget slack is restricted to senior management, reflecting a hidden control mechanism for dealing with uncertainty. According to Giddens (2005) invisible structures like this influence managerial behavior, with managers operating without explicit knowledge of the margin of flexibility, remaining focused on the rigid targets set. It should be noted the Controller is not a member of the family and as his position is at odds with the Commercial Director, it is understood this decision is limited to family members, according to excerpts highlighted in Figure 6.

It can be seen that family governance at Company B creates an asymmetry of power, where family members have access to budgetary slack and greater control over financial decisions. The structuring theory helps to understand how this asymmetry influences budgeting and control practices, with the slack being used as a strategic reserve to ensure the continuity of business objectives, including (such as situations involving



high uncertainty - salary readjustments at COVID-19 pandemic), or even related to potential adjustments of items among costs and expenses, as highlighted by the Commercial Director. This reinforces the family holds authority over the budget process and legitimizes the related practices, within a scenario of alignment with the objectives set for the company, in line with studies that discuss an alternative view of slack (Frezatti et al. 2013, Davila & Wouters, 2005).

Commercial Director (Company B)	“This very year we had a job and salary consultancy and we knew there would be an increase in payroll, we had already given a preview, but as nothing had been finalized, we made an approximate budget reserve and understood it would be necessary. We also do this for the revenue budget, where all the sales targets are much higher than our revenue target so that it doesn't become fair to say: - if I don't meet a regional target, I won't meet ours - we do this, we also call it fat, only in revenue, to ensure that the budget isn't too tight.”
Operation Manager (Company B)	“We have no time off. Whenever we've worked, we've made a logistics budget right down to the bone. I already set my targets with my team, before we send the information to the Controller's Office [...] I already give them the orientation - guys, we're going to present the budget for 2022 now and we need to perform better than we did in 2021 -, we start working on the culture, especially for those who are coming in younger, and everything else. Even so, there are still some challenges, I don't think it makes sense for an organization to use budget slack [...] I know professionals who always put in a little extra fat to make life easier.”
IT Manager (Company B)	“I don't think it's unethical at all. I think there's malice in its use, it makes managers use tricks because they've had past experience with some kind of situation.”
Controller (Company B)	“Until recently we had a reserve that we left so that the directors or CEO could make investments, but the results in recent years have not allowed us to make this reserve anymore. But today we don't work with a reserve, in other words, Company B's official budget has no margin of elasticity

Figure 6 - Budget slack at company B

Some managers, such as the IT Manager and the Operations Director, resist the idea of budgetary slack, perceiving it as a threat to efficiency and control. This resistance reflects an attempt to maintain budgetary rigidity, reinforcing managerial discipline and the efficient use of resources, despite the limited flexibility structure. This is typically observed in mainstream literature in the area (McDonald, 2003; Borge et al., 2008)

#### 4.4 Result Discussion

Finally, after analyzing the two case studies, it is clear the companies differ in their management composition about the involvement of family members in the budget planning and control process. Company A has predominantly non-family members in its management, with a family presence only on the Board of Directors and has already carried out the family succession process. Company B, on the other hand, has family members acting in the roles of CEO, CFO, Administrative and Financial Director and Commercial Director, with the main managers participating in budget planning and control.

The budget is a management tool used by both companies, and it seems it is prepared in a very organized way, and all those who take part in this process have shown clarity by mentioning the stages in which they are involved in setting up, adjusting and applying the budget over the following period.

As for the constitution of budgetary slack, the data showed Company A does not disclose it, however, in some of the statements made by the interview participants, it can be seen flexibility arises when the budget is constructed, as the figures initially presented by the Controller can be adapted according to the requests of the Managers. During the execution of the budget, if new limits are needed, the Superintendent/CEO is the one who approves the changes and that these deviations should be checked and taken into account in future budgets. It was assumed that the management carried out by non-family members could present the constitution of budgetary slack in order to allow greater flexibility in the budget (Lukka, 1988; Kahar et al., 2016; Santos et al., 2022), since this artifact represents the main way in which management is accountable to the owning family.

At Company B, on the other hand, the power to make budget-related decisions is concentrated among the family members, and the budget slack is also not disclosed to all the participants in the budget process. However, it is understood that the slack is created when family members consider requests for changes to the budget that justify new business opportunities, and this request for a certain area will be evaluated by the CEO and if he agrees, it will be approved. The control of family members has shown the use of slack is reduced and it is not shared in order for managers to perform positively in relation to budget guidelines, a possibility presupposed by McDonald (2003).

The modality dimension shown in Figure 3 demonstrates the form of connection among the corporate structure and the managers. The “ease” and “norm” dimensions reflect the flexibility or rigidity of the budget that the manager has in order to achieve the goals set in each of the companies studied. It is understood the degree of capacity for action is inversely related to the flexibility index, i.e. the greater the rigidity, the less power the agent has to change reality in situations not projected in the budget. This situation was identified in the two companies. The legitimacy of the direction received is related to the trust that managers see in the

budget creation process. So, discussing the constitution of budgetary slack in two family businesses with different compositions of family member participation in management in the light of the Structuring Theory has made it possible to understand the interaction among managers and the rules of the two companies, the way in which budgetary objectives are communicated and the interpretation of managers in relation to their department and demands. Figure 7 shows a summary of the categories analyzed in the structure duality.

It can be seen the analyzed categories in the structure duality are perceived to a greater or lesser degree in the companies participating in the survey. In practice, according to Giddens' theory (2005), the findings in the cases investigated are presented in terms of the three main pillars: (1) Meaning/communication: Budgetary slack, although not formally communicated, is understood implicitly by top management, while communication of this practice with lower levels of management is limited. (2) Domination/power: Slack is a resource under the control of top management, creating an asymmetry of power within the company. This asymmetry allows the family or controlling directors to manipulate resources in order to maintain strategic flexibility, while lower-level managers do not have access to this information. (3) Legitimation/sanction: The withholding of information, the lack of transparency regarding the existence of slack, suggest a legitimation structure based on restricted trust among family members and senior management, reinforcing an organizational culture where flexibility is practiced but not widely communicated (Davila & Wouters, 2005).

The findings expand our knowledge of power dynamics in family businesses, in line with previous studies that point to family governance as a factor that impacts budgeting practices and the control of financial information (Westhead & Howorth, 2007). The study confirms international findings on the importance of slack as a contingency mechanism in times of uncertainty (Borge et al., 2008; Church et al., 2012), while highlighting the particular nature of slack in Brazilian family businesses, where budgetary control is more centralized.

According to Giddens (2005), the agents' actions are not always perfectly aligned with the structures that influence them. In the case of Company B, while senior management perceives time off as a strategic tool, some managers resist the idea, highlighting a tension between the formal structure (rigid budget) and the informal structure (strategic use of time off).

The two cases analyzed present both convergent and distinct evidence on the phenomenon of budgetary slack. In both cases, slack is used by senior management, but in a hidden way. However, family governance in Company B creates a more centralized power structure, where slack is restricted to a select group of managers. At Company A, the use of time off is also present, but with less centralized control. These differences reveal how the control of slack can vary depending on the management structure, a finding that contributes to understanding the practical implications of slack in different types of management. It was possible to identify characteristics pointed out by the literature on family businesses and, therefore, understand that the different definitions of family businesses identified carry particularities that are observed in the companies that were the focus of the case studies. With family involvement in the budgeting process, the exclusivity of strategic information among family members, the succession process with the continuity of family members at the head of the business.

## 5 Final Considerations

Considering the objective proposed for this research, to understand and discuss the constitution of budgetary slack in the planning and control process of two- family- businesses with different management structures, from the perspective of the Structuring Theory. The analysis carried out through the lens of the theory made it possible to identify that the phenomenon of budgetary slack establishes a relationship in the interactions among agents and control structures. This study shows budgetary slack is a hidden structure that, although not formalized, is used strategically by senior management to deal with uncertainties.

The contributions obtained in this study are related to the originality of the topic in terms of using Structuration Theory to analyze budgetary slack, the research method with a qualitative approach and the way in which the data was constructed and analyzed. One of the contributions of the research is the development of research in the management area with the support of Giddens' social theory, highlighting that an alternative approach to the positivist mainstream can generate contributions to scientific development (Lourenço & Sauerbronn, 2018). The study advances knowledge about budgetary slack by demonstrating how it emerges as a non-formalized practice within the budgetary process, shaped by the interactions among managers and control structures, in line with the Structuring Theory.

About literature on family businesses, the results of this research provide an in-depth analysis of two companies with heterogeneous management compositions. However, the analyses and interpretations were carried out individually in order to deepen our knowledge of the central theme of the study, without any intention of generalizing the results. In addition to it, knowing the profile of family and non-family managers was important for understanding the role of each in the budgeting process under investigation.

Dimension/ Pillar	Features	Categories of Analysis	Company A			Company B		
			Strong Presence	Some Presence	Little Presence	Strong Presence	Some Presence	Little Presence
<b>Meaning/ communication</b>	<ul style="list-style-type: none"> <li>- Social rules that inform and restrict, making communication possible.</li> <li>- Rules designed by organizational activities.</li> </ul>	Family Involvement		X		X		
		Budget process	X			X		
		Rigid or flexible budget	X			X		
		Budget impact on targets and results	X				X	
		Perception of budgetary slack			X		X	
<b>Domination/ Power</b>	<ul style="list-style-type: none"> <li>- Means that agents use to achieve their objectives.</li> <li>- Technological and human resources.</li> <li>- The agent's ability to act in one way or another and, consequently, to influence.</li> </ul>	Family Involvement			X	X		
		Budget process	X				X	
		Rigid or flexible budget	X			X		
		Budget impact on targets and results	X				X	
		Perception of budgetary slack		X			X	
<b>Legitimation/ Sanction</b>	<ul style="list-style-type: none"> <li>• Rights and obligations in the social environment legitimizing a certain order or sanction.</li> <li>- Norms responsible for articulating institutionally legitimized behavior.</li> </ul>	Family Involvement		X		X		
		Budget process	X			X		
		Rigid or flexible budget	X			X		
		Budget impact on targets and results	X				X	
		Perception of budgetary slack			X			X

Figure 7 - Synthesis of the Categories Analyzed in the Duality of Structure

The practical implications of this study are related to the need for greater transparency in the use of budgetary slack. Withholding information about the existence of slack can, in the long term, weaken trust among managers at different levels and affect the efficient use of resources. At the same time, the study suggests that conditional flexibility, when managed carefully, can serve as an effective strategic tool for dealing with uncertainty without compromising financial discipline.

The practical application showed the structure of MCS has an impact on the constitution of budgetary slack since both companies offer remuneration for targets and, in the eyes of most managers, are not flexible when they need to make new expenditures. It was found that the companies operate budget slack, however, they do not disclose it to all levels of management that are involved in the budget process and the information is kept to family members and the Superintendent/CEO.

In this way, this study contributes to the advancement of knowledge about budgetary slack, by positioning it as a phenomenon that is the interactions among agents and structures, and which is used strategically in family businesses. The evidence shows budgetary slack, when managed in a hidden and centralized way, can reinforce asymmetrical power structures, while its lack of transparency can impact on organizational culture, especially in relation to trust among managers. It is important to note budgetary slack makes it possible to make premeditated adjustments, which make it easier to achieve the proposed objectives and are carried out by managers, in which they add obligations and underestimate the productive effectiveness of budgeting. In this context, it is important for organizations to review their budget management and monitoring.

The main limitation of the research is that it was carried out during the pandemic period, so the approach to the company was restricted to remote interviews, with the exception of the last interview, which took place in Company A's premises. The semi-structured interview script was designed to capture as much information as possible, but it is understood that not all the data was mentioned by the interviewees due to the remote format.

Finally, conducting case studies in two companies does not mean the results analyzed here can be generalized. It should be emphasized the investigation took place in two companies with different management compositions, one with the predominant participation of family members and the other with a family member only on the Board of Directors, however the in-depth analysis and the results identified were not prejudiced.

For future research, it would be interesting to investigate how other forms of management impact the practice of budgetary slack in different organizational contexts. It is also recommended new qualitative approaches be carried out in companies from other sectors. Not for the purpose of comparison, but rather to expand scientific knowledge about management accounting and the budgeting process. Just as it was found the concept of budgetary slack was not known by all those involved in the budgeting process, other topics related to management artifacts could also be better disseminated in the business environment and in the literature.

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## NOTES

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### DATASET

The dataset that supports the results of this study is not publicly available.

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Does not apply.

### APPROVAL OF THE RESEARCH ETHICS COMMITTEE

Opinion 5.962.205 of the UFU Ethics Committee.



## **CONFLICT OF INTERESTS**

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