

Using projective techniques to further understanding of the RAPM-PEU relationship

(Reliance on Accounting Performance Measures and Perceived Environmental Uncertainty):
evidence from the experience of marketing & sales managers

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Abstract

In an increasingly uncertain context, budgeting faces at least two categories of concerns: how should realistic objectives be set in a poorly predictable context? How should a fair year-end evaluation be performed when uncertainty has affected the results and their controllability?

Since Hopwood's (1972) paper, performance evaluative styles have provided a rich vein for empirical behavioral studies in control, largely based on contingency approaches, and the Perceived Environmental Uncertainty (PEU) has been specifically examined in many empirical studies. However, two decades of literature on the RAPM-PEU relationship have produced results that are at best inconclusive.

In our view, there is a need for better understanding of the constructs commonly used in RAPM research. To meet this need, we used a field-based study and projective techniques to interview fourteen senior marketing and sales managers in a variety of industries. The interviews were designed to capture the managers' perceptions relating to RAPM, and to uncertainty.

Our results highlight an important practical and theoretical distinction between *actionable* and *non-actionable* sources of PEU, which is based on a manager's ability to improve the predictability of change, and/or to be able to react to changes in the environment with an additional effort. When PEU is high and perceived as non-actionable, the paper examines what kind of social and organizational adjustments take place that can avoid the potential negative behavioral consequences of RAPM. The results emphasize that budgeting and performance evaluation are a multiple-year game, where trust and knowledge of social rules build up over the years, and learning takes place — a picture left out of traditional RAPM literature.

Keywords: budgeting - RAPM - uncertainty - projective techniques - behavioral accounting — marketing and sales managers.