

THE BUDGETARY PROCESS – REASON FOR DISSATISFACTION

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ABSTRACT: *The behavior of individuals within the organization does not always correspond with what is expected and what is defined by formal rules. The budget may be perceived as a source of oppression and can sometimes lead to the development of attitudes of resistance from employees. The success of the budget process and budget execution process is conditioned by how the leadership of the company, through its managerial policy, manages to contribute to the motivation of individuals. The budget must have the ability to mobilize members of the organization, must be built to be exciting. The purpose of this paper is to identify the causes of behavior problems from individuals in the budget process of the enterprise, and to propose measures to eliminate these causes.*

KEY WORDS: *budget; behavior; communication; management control; participation/contribution; budgetary process.*

JEL CLASSIFICATION: *M410, M540*

1. INTRODUCTION

The budget is an essential component of the control system. It can play different roles: coordination and communication tool, forecasting management tool and instrument of delegation and motivation.

Assuming that each budget should reflect the commitment of each responsible before the management of the company, it can be considered as a contract between executives of the management centers and the superior management through which officers are required to achieve budgeted results in exchange for power over the resources available to them. Budgets have been quickly associated with leadership by objectives and sanctions / reward system, which can be a source of motivation but also dissatisfaction.

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As Anthony pointed out (Anthony, et al., 1992) the budget, which is a financial plan covering, usually a period of one year is an important tool for short-term planning and a control tool throughout the organization. It is also a short-term action plan whose purpose is to organize an effective manner and to coordinate all human and material resources of the enterprise.

The company management must be concerned about the reactions of subordinates to the budget process. People often respond to unpredictable budgetary practices. Some people consciously comply with management provisions and controls, they prefer to be ruled by others and would be unhappy if they would seek the establishment of participatory and permissive practices. Others show understanding for management control practices and subordinate their personal interests to the requirements of the organization they work for, while others develop attitudes of hostility when they are imposed certain rules and are requested a particular behavior. Some try to protect themselves through voluntary underestimation of the objectives, while maintaining a margin of freedom and peace. In turn, management can refuse such a budget, considering it to be too timid in relation to overall objectives. Others, conversely, overestimate their forecasts to meet the expectations of the general direction, in such cases, the results will certainly not be achieved.

These few behaviors and handlings stress the problem of operational managers and business actors who prefer a short-term vision of results in the detriment of the long term one. Beyond these behaviors it is important to note their reasons for dissatisfaction expressed during the budget preparation and budgetary control performance.

2. CAUSES OF BEHAVIOR PROBLEMS

The first research on behavioral aspects of human and budgetary management has sought to demonstrate that the manner in which budgets are used can lead to tension and dysfunction.

A study conducted in 2000 by Jean-Luc Zécari, professor of management control at Groupe Ecole Supérieure de Commerce Marseille-Provence (Zécari, 2000, pp.1018-1031), on a sample of 42 companies took out to reveal the existence of the budgeting process has five major reasons for dissatisfaction related to: budgeting time, the tables required, procedure, program and processing. These five reasons are the result of responses expressed by the staff of enterprises.

The first complaint relates to the budget preparation period. The necessary time to build a budget is 1-2 months for 40% of enterprises and 3-4 months for 31% of them. This period is considered too long. Analysis of the budgetary targets with department managers is too long. Budget negotiations between the various departments drag on, decisions are delayed. The budget is sent from the general manager to the financial manager, who sends it with changes to departments involved, which in turn modify it. It has been noted that the more the turnover is increased, the longer the period for budget construction is, fact explained by all parameters that a company with a high turnover is required to consider when budgeting.

A second complaint related to the budget process refers to the large number of tables required by senior management, to their level of detail, to the existence of too many differences from one service to another within the structure of tables, considering that general management requires too much information without taking into account the actual usefulness of these tables later, these being sometimes disconnected from the realities on the ground.

The third reason for dissatisfaction is linked to the budgetary procedure. Typically performed by the management control service, it is often difficult, hard to use or modify. In many companies it does not exist. It has been found that companies which have a written budget procedure are those with high turnover. It has been noted the ambivalent nature of the budgetary procedure: some actors regret its existence because it is often binding, others complain of too much coordination. A balance seems elusive in this area.

The fourth complaint is related to the program. For most people respecting a program proves to be a constraint. Persons involved in the development of budgets spend too much time and waste too much energy to produce them. They believe that it is sometimes difficult to devote time to preparing the budget because, for a few months, this task is added in addition to their daily work.

Another reason for dissatisfaction is the difficulty of obtaining essential information and its processing mode. Often the transfer of information from one service to another is difficult. The development of budget remains dependent on the information system and its quality. Many companies do not yet have an integrated budget management system and still use spreadsheets to achieve budgets (Excel, Lotus).

In addition to the five causes that produce dissatisfaction when preparing budgets presented in the study of Jean-Luc Zécri, one can add other reasons that may cause, during the budget process, behavior problems among actors.

Marc Bollecker noted that cultural differences and power strategies of management controllers and of operational staff are likely to intensify tensions between them and affect the acceptance of the first by the latter (Bollecker, 2003).

Integration problems sometimes seem difficult to overcome due to cultural differences between these groups of actors. Officials (including management controllers) are generally better prepared, have a more theoretical orientation, using a language more technical than operational staff. They are often characterized by rigidity, introversion, through a quantitative thinking and above all through a lack of interest in interpersonal relations. Officials, surrounded by papers and documents, spend more time alone than the operational staff. Planning-control experts are more directed towards thinking and the operational staff to action. These cultural differences between the two categories of actors can lead to some mutual distrust and a lack of communication (Gervais, 2000) resulting in a misunderstanding and ignorance of the other's work.

Tensions between individuals increase because of power strategies, too. Like any individual seeking power, management controllers develop individual strategies that may affect their acceptance by operational managers. Controllers standardize work of the latter and this may influence their behavior. Indeed, the planning-control system

is characterized by rules that control and coordinate decision-making behavior permanently. This is intended to determine the operational managers to think in accordance with business objectives and not in accordance with their personal goals (Bollecker, 2003).

Standardization is not likely to create quality relationships between management controllers and those whose work they prescribe. Operational managers may feel under surveillance, dominated by management controllers. Given this standard, the staff of operational services tries to minimize the influence of controllers on their work by adopting defensive strategies (withdrawal, avoidance, or ritualism or rebellion).

The apparent incompatibility between the objectives of management controllers - the development of work standardization - and the operational staff - to overcome these constraints - is not conducive to the acceptance of the first by the latter or to the encouragement of further co-operation.

Considering personal goals more important than business objectives generates behavioral problems. Thus, the heads of departments may become excessively preoccupied with their promotion at the expense of achieving planned indicators, budget objectives of the enterprise coming into conflict with the objectives of employees.

The lack in budgeting process of some people who should be involved and consulted may also lead to dysfunctional behavior from employees. It is possible that they can not bring to the attention of managers information that could help deliver savings to the firm. In general, employees perceive the budgeting process more positively when given the opportunity to participate in it.

Considering that the achievement of budgetary provisions is a success and their unfulfilment is a failure is another issue that causes behavior problems. This could affect staff motivation and morale. Some employees are obsessed with the idea that the budget must be respected at any cost and forget that budgetary indicators are only estimates. Often budgets encourage managers to do stupid things especially when their payment is linked to complying with the budget. Monitoring results can lead to intentional negative behaviors such as distortion of data by individuals who, to simulate the required objectives, falsify information, especially when there is strong pressure to sanction or reward.

Individual behavior is influenced by the size indicators in the budget. In order to trigger performance, the effort required must be completed within a given time. In this regard, various studies have revealed that a budget set at a level of too high performance has no effect on staff motivation. Besides it discourages them and they could give up achieving it. Even if the targets are challenging but can be achieved at the cost of great effort, they are discouraging for the staff, whose effort will not be rewarded as deserved. Deviation from the budget may result in wage cuts if the employees' revenue is related to the achievement of budget.

On the other hand, a corresponding target level of performance is often too low to achieve, but rarely exceeded, staff adjusting effort according to the result that management requires. Even if it is recommended to establish objectives which can be met it is not indicated the planning of smaller objects than those that can realistically

be achieved. A relaxing budget is, for example, a budget that includes a greater number of workers than strictly necessary, aiming to cover periods in which some employees are missing motivated or unmotivated. If at the end of the budget period the amount budgeted is not fully spent, there is a tendency to spend it on anything, to avoid reducing the budget for the next period at the amount actually spent so far.

The manner in which resources are allocated may also give rise to conflicts because of different objectives compartments. Budgets can encourage departments to transfer work, so the costs to other departments in their quest to keep their costs within budgeted. Budgets should be designed to combat this phenomenon (Simionescu, et al., 2006).

In a budget process considered conflicting individuals can adopt negative behaviors like pathological responses or defensive strategies. Home pathological reaction that a social worker can have before the social game that arises during a budget management process is inhibition, i.e. a total psychological behavior blocking. It is a reaction that takes the relational problems more or less serious (Gervais, 1994). Some of these relational problems are frequent, but without major consequences for individual and group, others, on the contrary, are less common but more painful and affect the individual's personality. In front of the management controller, the individual does not know how to react. Much of the resentment can be attributed to employee frustration due to a self-critical and dominant management.

Any related issue does not necessarily lead to inhibition. The individual who has a negative opinion about the functioning budget system may implement a different strategy than the pathological response: the defense strategy. Whoever adopts this type of strategy can either choose to completely lose his interest in his life at work, or not to comply with legitimate rules that he will be able to break through fraud (falsifying results, hidden reserves to cover possible errors) and bad faith (removing the responsibility of trying to blame the failure on third person, uncontrollable factors; emphasizing qualitative factors ignored in the budget, etc.).

3. MEASURES TO IMPROVE BEHAVIORAL PROBLEMS IN THE BUDGET SYSTEM

To stop these dissatisfactions is needed a better management of the budget process performance, taking into account "all the links in the chain of events and all stages of this chain" (Lebas, 1995, pp.35-48).

They also require:

- integrating the better tools so that budgetary practices could be improved;
- reducing the time frame for the construction budget;
- taking into account human behavior.

Sociological dimension of management control has been dealt with more or less explicitly over several decades by many authors. Researches conducted over time have shown that human factors involved in the budgetary process can not be ignored. The results obtained concerning the behavioral aspects of budgeting have often been contradictory. But one thing is widely agreed upon, that a successful budget process depends on the involvement and cooperation of participants.

Participation of staff is one of the tools that can be used to streamline the budget process. Participation is the practice by which members of organizations participate in the management process and are involved in both setting objectives and translating them, effectively, into practice (Nicolescu, et al., 2000). Participation in budget reflects the possibility that managers have to take part in their budgets and to have an influence on the budgeted targets.

The degree of participation provided by companies to operational managers in the budget process is different. There have been identified three levels of participation:

- an extremely low level in which the overall direction sets budgets;
- a level of limited participation in which the general direction calls for ideas and suggestions, and requests alternatives from those in charge of operations;
- a third level where the general direction shares responsibility of budgets with the operational managers.

Participation involves two actions:

- involvement (supported by individual motivation);
- integration (assimilation and adaptation of the individual in the organization).

Many studies have suggested that when managers can participate in setting budgetary targets, they are more likely to accept them and are willing to make further efforts to achieve them. It has been highlighted the positive and significant relationship between participation in budgeting and developed attitudes towards work and towards the enterprise. It has also been noted a higher degree of satisfaction among managers who were consulted in preparing their budgets than those who were not consulted.

A successful budget control process is the result of cooperation between management controllers and operational staff. Cooperation is a form of social interaction and a group process, which requires joint actions of several individuals or groups to achieve a common goal, to obtain gratification for the benefit of all participants (Nedelcu, 2000).

Marc Bollecker enumerates some measures to promote development of cooperative relations between the individuals involved in the budgetary process (Bollecker, 2003):

1. The system of incentives and participation in defining goals, as a condition of acceptance of the control system by the operational managers. It has been shown that participation of operational managers in defining their objectives and, in general, in decision making, leads to a reduction of tensions between individuals, to better work relations, to confidence in the mechanism of control. To encourage management controllers to work with operational personnel, the general direction can determine that they be co-responsible for deviations from the budget.

2. Trust between individuals. A minimum of trust is a major condition for the success of the interplay between management controllers and operational managers. Since it facilitates exposure and confrontation of views, exchange of ideas, confidence is likely to foster cooperation among individuals.

3. Performance of management control systems. The performance of an enterprise or of its units is a message likely to create a climate of trust between individuals. In case of the information system, a decision maker will use the system

more, as he will get, a good performance. A poor performance will cause decision makers to abandon or modify the information sources.

Budgetary control system is more credible if managers observe a relationship between the operational control system and a better performance of the center they lead. This increased credibility is likely to improve relations between management controllers and system users.

4. Improved image of management controllers. A management controller's behavior is the key not only to the quality of relationships he has with the operational staff, but also to the success of the implementation of the control system. Controller intervention is not generally well accepted, such a picture undermines the cooperation between the operational and management controllers. Budgetary control has long been equated with the negative image of surveillance and repression. To establish a climate of trust is important to take into account the transmitted image, management controllers must show understanding, diplomacy, they must be present but not oppressive.

5. Support by senior management. Support given by senior management is responsible for ensuring adherence to operational control and to increase the quality of relations between officials and operational staff.

4. CONCLUSIONS

Type of reaction of staff vis-à-vis the budget process is different. The reaction desired by the general direction is that of understanding and obedience to provisions and controls. This does not often happen; the staff perceives the budget mostly as a bureaucratic burden. Budgetary procedure (such as budget preparation and process of its implementation) is almost always faced with a greater or lesser resistance from staff and subcontractors. Ignoring the complaints about the budget process can only lead to a systematic rejection or denial of this management tool.

The procedure is effective when it provides a coupling with the policy staff to determine the motivation of staff and adherence to the objectives pursued, otherwise the company may face behavior problems by employees. By participating, employees gain the impression that they have control over the budgetary provisions and greater involvement in the implementation of budgetary tasks. Employees' involvement encourages cooperation within departments and between departments and this leads to increased recognition of the importance of each department within the company's overall objectives.

For the success of the budget an important role is held by the way in which management controllers address the issue of communication with employees, employee participation in the budgeting process and how behavioral factors are analyzed. By better understanding the reasons of dissatisfaction will be possible to improve the budget process. Personal and constant support from the general direction allows avoiding the failure of implementation of the budget system. Also, the support from the overall direction is a guarantee of success in implementing new tools of budgetary control.

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