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# A Collaborative Approach to Budgeting and the Impact on the Budgeting Process: A Case Study

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# Walden University

College of Management and Technology

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Michael Van Roestel

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2016

Abstract

A Collaborative Approach to Budgeting and the Impact on the Budgeting Process: A

Case Study

by

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MBA, Our Lady of the Lake University, 2006

BA, Our Lady of the Lake University, 2004

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Management

Walden University

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## Abstract

Corporations budget and strategize to set targets for planning purposes. Review of the literature indicated that methods of budget creation, including input from operational employees, are not fully understood by corporate budget officers. The problem addressed in this study was whether a collaborative approach to budgeting would improve implementation of the Generally Accepted Accounting Principles of relevance and reliability within the budgeting process. The purpose of this qualitative study was to explore the benefits of a collaborative approach to budgeting since non-inclusive budget preparation could alienate members of the operations team. Participative leadership was the conceptual framework guiding this study and formulated the research questions, which focused on inclusion of operation. An intrinsic case study was conducted by interviewing 20 operational and finance professionals, from the metro Houston area with significant budget experience, in order to assess their paradigms on the benefits of a collaborative approach. The structured interviews included questions regarding the budget experience, how budget development can be improved, and how to incorporate greater participation in the budget. Pattern-matching was used to analyze the data. Operational employees' business insight was identified as a strength, whereas the budget process needed improvement. These findings suggest that other, similar organizations that promote collaboration could have a more attainable and meaningful budget document. Financial analysts can use these data to influence social change by enhancing investor confidence, refining the use of business resources, and improving economic stability of organizations through enhanced financial variance analysis.

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## Dedication

To my parents, who have always supported me through my journey, no matter where it has gone.

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## Table of Contents

List of Tables .....	iv
List of Figures .....	v
Chapter 1: Introduction to the Study.....	1
Background of the Study .....	2
Problem Statement .....	8
Purpose of the Study .....	9
Research Questions .....	11
Theoretical Foundation .....	13
Conceptual Framework.....	15
Nature of the Study .....	18
Definitions.....	19
Assumptions.....	20
Scope and Delimitations .....	21
Limitations .....	22
Significance of the Study .....	23
Significance to Practice.....	26
Significance to Theory .....	27
Significance to Social Change .....	28
Summary and Transition.....	30
Chapter 2: Literature Review.....	32
Literature Search Strategy.....	33

Theoretical Foundation .....	33
Conceptual Framework.....	39
Literature Review.....	41
Summary and Conclusions .....	75
Chapter 3: Research Method.....	78
Research Design and Rationale .....	78
Role of the Researcher .....	87
Methodology.....	88
Participant Selection Logic.....	89
Instrumentation .....	94
Procedures for Recruitment, Participation, and Data Collection.....	96
Data Analysis Plan.....	99
Issues of Trustworthiness.....	100
Credibility .....	100
Transferability.....	100
Dependability.....	101
Confirmability.....	101
Ethical Procedures .....	101
Summary.....	102
Chapter 4: Results.....	104
Research Setting.....	106
Demographics .....	107

Data Collection .....	107
Data Analysis .....	110
Evidence of Trustworthiness.....	114
Credibility .....	114
Transferability.....	115
Dependability.....	116
Confirmability.....	116
Study Results .....	116
Summary.....	126
Chapter 5: Discussion, Conclusions, and Recommendations.....	128
Interpretation of Findings .....	129
Limitations of the Study.....	136
Recommendations.....	138
Implications.....	143
Conclusions.....	148
References.....	150
Appendix A: Proposed Interview Questions.....	165
Appendix B: Interview Results.....	166

List of Tables

Table 1. Number of establishments and related industry in Metro-Houston..... 91

## List of Figures

Figure 1. Social impact of collaborative budgeting .....	29
Figure 2. Budgeting tools used by company size .....	44
Figure 3. How leadership and participatory budgets interact .....	54

## Chapter 1: Introduction to the Study

Almost every organization should prepare a budget. Regardless if an establishment is large or small, the impact of a budget affects almost every organization. Budgets are a critical component of the success of a business (Wildavsky, 1975). A budget is a business tool that may not succeed, nor exist, without the input of many. The budget is also considered a significant tool for strategic planning to provide management with crucial information towards reaching desired goals (Coulmas & Law, 2010). Budgets can also provide support for an organization to ensure effective and efficient use of economic resources (Tanase, 2013). A budget is a reflection of an organizations financial operating plan (de Waal, Hermkens, & van de Ven, 2011).

Most organizations prepare budgets yet there is a growing need to revise or supplant the current budgeting process. Vazoniene and Stonciuviene (2012) conducted a survey of 346 organizations. Out of the 85% of the respondents who indicated that they regularly create an annual budget, 46% wanted to improve the budget process. The authors concluded that a better understanding of the budget process is needed in order to find out what the role of budgeting should be and advance the relationship among budgeting, planning, decision making, and control.

Steps to a successful budget process are determined by the priorities set by the organization (Baiocchi & Ganuza, 2014). The budgeting process usually consists of repetitive rounds of negotiation with give and take between the participants. There are many factors to achieve successful budgeting however three crucial factors help to determine the success of a budget. Baiocchi and Ganuza (2014) determined that these factors include: intenseness,

inclusiveness, and *democraticness* of the process. When these factors are combined, the budget process is normally successful.

### **Background of the Study**

Budgets are prepared by people. When employees are involved in the budget process, Tanase (2013) believed that there is a possibility of realizing amazing benefits to the organization. Tanase also indicated that in order to ensure budgets are fully employed, a collaborative approach may be a superior alternative in comparison to an approach without collaboration. Budget preparation sets the tone for a business and assists in planning for prospective expectations, aimed at future periods. To support the idea that budgets are normally successful when the process includes the input of many, Joiner and Chapman (2001) noted that “budgeting rests on principles that have more in common with concepts of human relationships than with rules of accounting” (p. 11). Their argument could be an indication that people with experience could provide valuable information to the organization as budgets are prepared.

The budgeting process is the method an organization utilizes to accomplish its budget development. Although the budget spreadsheet, layout, and document could be consistent among organizations, it’s likely that the budget process can vary from entity to entity according to its operating, capital, cultural, and basic business structure (Lavarda & Almeida, 2013). Understanding and exploring the variables in the budget process, such as employee participation, as well as those listed, is an essential factor for the success of the progression.

Jurisdiction within an organization is another important factor for the success of budget preparation. The reason is that a budget is an indispensable factor of the control structure within an organization (Radu, 2011). Wyatt (2012) concurred with Radu’s observation regarding the

importance of control within an organization. Wyatt indicated that “the principle reason why an organization chooses to have a budgetary control system is to enable it to meet its objectives” (p. 5). This notion from Wyatt also supports a theory originally presented by Cyert and March (1992). Cyert and March determined that members of an organization, working together to establish an accurate forecast, could help achieve the success of a business.

In order for a business to be successful, forecasting and budgeting could consume a considerable amount of time and energy from an operational and financial perspective. Regardless of size of business, budgeting is a crucial step for almost every organization (Sivabalan, et al., 2009). In order to achieve accurate forecasting, many people within an organization should be involved in the budgeting process, especially those individuals with broad operational expertise. For the benefit of an organization, and for users of financial information, forecasting should not be dictated by a small group of people. Instead, it seems logical that, budget creation should be a collaborative approach in order for businesses and individuals to succeed. Establishing a cohesive and cooperative, decision-making methodology that evaluates alternatives will determine if a financial model is a manifestation of the collaborative approach which should be considered when preparing annual budgets or forecasts (Bonini, Hausman, & Bierman, 1997). In contrast, unsuccessful firms invest very little effort in budgeting but then complain that budgets are not helpful (Umapathy, 1987).

The focus of this qualitative research study was to explore collaborative budgeting. Since operation managers are usually held responsible and accountable for actual results, in comparison to budgeted amounts; it could be inferred that operation managers should be included in the entire budget process. Throughout this research consideration was given as to

how the budget process was impacted through collaboration. In addition, there was an examination if the inclusion of individuals, with various levels of expertise, should be integrated in the process in order to determine and create a viable, acceptable budget document.

Almost all corporations prepare budgets. If the budgeting process is not working, a question that can be raised is: what are some significant negative consequences to the organization? The negative consequences could include financial budgets that are unreliable and irrelevant. To prevent or concentrate on any negative aspects, Wyatt (2012) indicated that “in order to build a budget, it is necessary to have some process for collecting information about planned activities and the cost of those activities” (p. 93). Budget development usually follows a structured outline. In summary, the development of the budget usually takes the following format:

1. Establish the overall goals of the entire organization.
2. Set corresponding goals to local or segmented functions of the organization.
3. Consider any budget assumptions that should be taken into account. This would include any volume, price, hours, or other statistical information.
4. Consider and make note of any market or other external factors that could impact the budgeted numbers.
5. Calculate and determine revenue and expenses.
6. Review for accuracy and make any changes as necessary.

If the series of steps are not appropriately communicated, arguments could arise and slow down the budget process considerably (Wildavsky, 1975). For an organization to flourish, an essential step is that the budget process be documented and clearly communicated in order for the organization to be successful. Depending on how the budget method is structured, and how communication is applied to the budget process, the progression will eventually impact a participant's perception.

If there has been a toxic experience in the past, budget participants are not likely to simply erase that implacable memory. Rubin (1988) acknowledged that the budget process in most organizations needs to be operating smoothly for a successful budget implementation. Rubin observed that "budgeters are successful insofar as they are able to understand, adapt to, work within, or even master the dynamics of those systems" (p. 48). The system that Rubin is referring to is the corporate system of budgeting that comes into actuality which should be respected when the budget process is working efficiently and effectively. Organizational systems that are in place should be valued in order to align with strategic objectives. Within a resilient organization, achieving potentially successful financial results is theoretically more promising if significant members of an organization communicate regularly with those involved in the budget process (Rubin, 1988).

The dilemma for many organizations is to choose the most appropriate option for budgeting for their particular organization. Regardless of the choice, the organization's process should be examined in order to produce the most appropriate method to create the budget. Wyatt (2012) indicated that regardless of the approach, the organization should "be able to justify and

preferably document the assumptions” (p. 93). Process improvement, with respect to budgeting, is essential.

A budget that is considered to be participatory in nature occurs when operational managers are involved in the negotiation and in the definition of budget targets. A participatory budget is not imposed by top management (Lavarda & Almeida, 2013). Shields and Shields (1998) indicated that many subordinates have private knowledge regarding their areas of responsibility. Participation in the budget provides opportunities for the subordinates to share this information with management. Budgetary participation creates a bond between operational employees and their managers (Tanase, 2013).

If there is not sufficient communication, processes could weaken, resulting in financial information that may not be accurate. Communication is an extremely important factor in the budget process, regardless of the approach to budgeting (Lazenby, 2013). If operational experts are not participating in budgets preparation, there could be possible negative outcomes and ownership or accountability of the actual budget could potentially deteriorate (Shields & Shields, 1998). As indicated by Lazenby, additional problems include the variations of overall communication within an organization. Lack of communication in almost any process could cause individuals to be out-of-step with other divisions within an organization (Bartels, 2013). As a specific budgeting example, without a consistent message including any budget assumptions such as pricing, sales, and cost expectations could result in reworking budgeted numbers and taking additional time and energy to complete and revise.

The budgeting process has to be effective in order to work rationally and effectively. How a budget is prepared is a determining factor of an effective process. If there is not

operational involvement, the final budget product could be negatively impacted. In addition, lack of involvement as well as a lack of communication could lead to forecasts and actuals varying from budgets; then there is cause for alarm if a company is not sustaining or accomplishing its targets. Accurate budgeting and forecasting is critical to the success and reputation of a company (Sivabalan et al., 2009).

How budgeting impacts users of financial information also has to be contemplated. A valuable example of the impact to users would include if forecasts are continuously off, from expectations, the variances could also lead to several problems or issues, such as undependable financial data. Another problem could be that organizations that are not participating in a collaborative approach to budgeting could encounter serious financial problems if the variance explanations do not accurately reflect operational input.

Exploring issues surrounding the creation of budgets is necessary for accounting research since almost every organization utilizes some method of budget tools. Budgets are important for almost all organizations (Hofstede, 1968; Wildavsky, 1975; Lazenby, 2013). In addition, many financial assessments are tied to the budget process when analyzing financial statements and operating results. Investors seek accurate financial information which relies heavily on the budget of a company (Frow, Marginson, & Ogden, 2010). Investor's demand updated expectations from publicly traded companies; investors also consider how a company performs in comparison to expected results on a quarterly and annual basis (Guta, Monea, & Slusariuc, 2011). Comparisons are essential to see how a company is operating. With this financial information, investors are able to assess the management skills of those in charge of the company. If actual results are close to expected or budgeted results, usually there is more

confidence in the operation and management of a business. Investors will, in turn, have more faith in the company. Budgeting is essential since achieving budgeted goals could impact share prices (Johnson & Zhao, 2012). Accuracy of budgeting and comparisons of budgeted numbers to actual results creates a level of confidence in an organization (Nahartyo, 2013). Consistency as well as a solid understanding of financial nuances of a business means that it is also crucial that budgets are accurate. If accurate budgeting does not take place, the potential impact could affect many users of financial information.

### **Problem Statement**

The problem addressed in this study was whether a collaborative approach to budgeting would affect the Generally Acceptable Accounting Principles (GAAP) of relevance and reliability of the budget process. To support the primary problem under study in this research, the uncertainty surrounding the potential benefits of a collaborative framework to budgeting was considered during the interview process. A collaborative approach may or may not lead builders of budgetary information to make more frequent adjustments or enhance the comprehensiveness or accuracy to the budget documents for distribution. The proposed research questions considered these potential issues. If a collaborative framework is considered more robust than exclusive models, executives may find that budgets will have more validation if additional, qualified employees are involved in the creation of the budget. If a new approach is considered less vigorous, the impact of proposed improvements to budget documents may be less prominent. A collaborative approach is an assessment that financial departments will have to make; currently there are no discussions of this issue available in literature (Lu, 2003). This study is important for executives to understand the specifics of how a collaborative approach

could be beneficial to the organization, a new approach may lead corporate finance experts to be more inclusive in their approach to budgeting. Additionally, if people with relevant experience are included in the process, increased personal responsibility and awareness should be expected (Hofstede, 1968).

Although annual budgets will be prepared, regardless of inclusion, lack of how collaboration could be employed is an issue that should be explored further because of the direct impact to employees and to users of financial information. Potential issues to employees that could arise without collaboration include: possibility of turnover, loss of talent, increased complaints, higher absences, and lack of enthusiasm towards the organization (Schiff & Lewin, 1970). This problem also impacts users of financial information such as those individuals who invest in large organizations. Because of the potential errors and omissions that could arise without a collaborative approach to budgeting (Sopanah, 2012) their investment may suffer.

This study contributed to the body of knowledge needed to address the problem of whether or not a collaborative approach will affect the GAAP of relevance and reliability of the budget process by exploring the concept that a collaborative approach to budgeting will produce better results in an organization than a non-collaborative approach. A comprehensive analysis that considers the benefits of a collaborative approach is needed but currently not available in literature (Lu, 2003).

### **Purpose of the Study**

The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, it was expected that the results of this

study would also affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments. The implications were explored through the identification of the potential relationship between utilizing a collaborative budgeting approach and not utilizing a collaborative approach to explore the impact on the budget process. An enhanced understanding of a collaborative approach was required since it is likely that this method could provide a more effective budget document along with improvements to the entire budget process. Budgeting models that include input from many sources eliminate significant variances. In this study, I worked with leading finance and operating managers to determine whether such collaborations can be determined in the budget process.

Consideration was given to the idea that in order to produce potentially superior financial results in an organization, and improve the budget process, a collaborative approach to budgeting should be considered over a non-inclusive approach to budgeting. Other secondary, but as important, effects of collaborative budgeting could include enhanced information asymmetry within an organization, improved employee morale, and a heightened awareness of how the organization functions with improved communication.

While most companies prepare annual budgets the methods of accumulating information could be different and is normally not well documented. In their case study, Lavarda and Almeida (2013) determined that the budget process is a subject that is not fully explored. The reason for the lack of exploration may be due to the difficulty of access to information about companies. In order to fully explore this significant research topic, it was determined that intrinsic case study was the most appropriate research method for this research study. The case

study method was chosen to obtain information about how organizations prepare an annual budget and to compare other alternatives. Yin (2014) indicated that case study is an empirical inquiry that investigates a phenomenon within its real-life context.

By conducting interviews, I explored how collaborative budgeting could improve the budget process. Interviews were conducted with 20 operational professionals in order to assess the level of agreement as to the benefits of a collaborative approach to budgeting. Participants were selected based on their budget preparation knowledge and proficiency. Participants represented a cross-section of a variety of industries in the Metro Houston area. The social change implications of this study may provide business organizations a greater appreciation of the positive impact to employees, and operating results, when an inclusive budget is promoted.

It could be expected that an improvement to the budget process could lead to enriched financial results of an organization. Wyatt (2012) indicated that “budgets should be about what managers are going to do, not about what they are going to spend” (p. 99). This is indicative of this proposed research study. I have found through my own experience that the budget process has usually been a smooth process when several alternative ideas are included in the process. However, a concentrated effort by management to be inclusive is also required. A comparison of budget methods is important and is needed in order to determine the superior approach to budgeting.

### **Research Questions**

The goal of this research study was to consider positive attributes of a collaborative budget and what the impact could be on the budget process and perhaps the impact on financial results. Without direction and support from management, continuous struggles with the budget

will become an issue and could be a cause of frustration from the operational perspective (Joiner & Chapman, 2001). Upper management, those not in operations, might have less detailed knowledge about the resources required to satisfy the organization's day-to-day operational requirements that lower level operational managers would have (Huang & Chen, 2009).

Yin (2014) indicated that the most appropriate case study research questions are explanatory which usually consider "how" or "why" questions. Therefore, the larger, overarching research question relating to this research study is: how would an organization be impacted if a collaborative approach to budgeting were utilized? To explore the idea of improving the budget process, the problem statement, purpose, and objectives for the study, the following specific questions related to this research study were considered:

Q1. Why would an organization make a change or a concentrated effort to change the budget process and allow for a more collaborative approach versus a non-collaborative approach?

Q2. How would the budget process be impacted if a collaborative approach were to be employed versus a non-collaborative approach with the budget process?

Q3. What method of budgeting could positively impact both internal and external users of financial information?

Q4. How could an organization realize potential benefits for operational managers if they are allowed take ownership of financial information through inclusion in the budgetary process?

Q5. What are the real or potential impacts on a firm's financial results derived from the use of a collaborative budgetary approach as compared to a non-collaborative approach?

Q6. How could an organization improve the budget process in order to reduce or eliminate any potential frustration from an employee perspective?

### **Theoretical Foundation**

The theoretical framework for this study was Hofstede's (1968) theory of budgeting. The theory proposed encompasses collaborative budgeting and expands on Hofstede's understanding that budgeting can be a significant tool for managers. The research instruments used in this study were structured interviews. The questions were developed from the work of Hofstede. Hofstede's (1968) theory has a direct reflection on the collaborative budgeting process, which will consider if collaborative budgeting theory or if another budgeting theory can be used to make decisions and to plan effectively. This notion is the foundation of my study. Active and collaborative participation could potentially lead to other unexpected results that will help to promote an accurate budget process. One result that Hofstede (1968) indicated was that if employees are involved in decision making, including budget decisions, "they appear to be much more motivated to fulfill the financial standards that are set" (p. 4). If critical members of the organization are included in the process, there will likely be a much more realistic and achievable budget target amount.

In particular, Hofstede's (1968, 2001) theory of cultural dimensions provided the foundation for this research study. One of the theories developed by Hofstede was the notion of power distance. Low power distance, with a focus on participative orientation, is the basis for collaboration to be successful. Low power distance theory utilizes influence and communication skills in order to create an effective plan. Low power distance refers to the disparity between those who have authority to make decisions to those who do not. Inclusive discussions which

allow for challenges and questions are also a factor with Hofstede's theory of low power distance. Finally, providing a forum where a team can be involved in discussions including recommendations for improvement and how to support changes on a continuing basis sets the framework for this research study.

In an open society, such as in the United States, there is lower power distance as many organizations have an open policy that allows for more people within an organization to have greater input as to how the organization could operate. Madlock (2012) continued the notion of Hofstede's theory of power distance. Madlock found that power distance refers to the amount of inequality between individuals in positions of power to those not in a position of power. The thrust of this study is to further explore power distance theory with respect to budget preparation.

Corporate financial budgets are sometimes prepared in a vacuum. Organizational budgets and forecasts are seemingly forced down on operations from a higher level via finance. Unfortunately, operational managers are not necessarily included when it comes to annual budget preparation (Brown & Cregan, 2008). Budgeting can be a significant and critical tool for managers to make decisions and are needed to plan effectively (Hofstede, 1968).

In order to be successful, collaboration could be considered. Several studies have considered this issue. Hornstein and Zhao (2011) agreed with Hofstede's observation of the importance of working together to create a budget. In their study, they concluded that "collaboration and knowledge flow within firms can encourage communication and coordination, thus improving the effectiveness of corporate budgeting decisions in large organizations" (p. 1141).

The budget document, if operational managers are not included, could potentially contain irrelevant or incorrect assumptions and information. This could result in financial budgets that are not indicative of actual operational results. Hofstede (1968) supported the notion of a collaborative budget with his observation that without lower level managers buy in, the budget proposal may not succeed since they were not included in the upfront or overall process. Instead of a realistic and achievable budget (Bonini, Hausman, & Bierman, 1997; Rubin, 1988), the non-collaborative budget reflects aspirations of executives, which could not accurately reflect achievable operation results.

Actively including employees in the budget process could provide a benefit to an organization. From management's perspective, management should have the will and desire to involve their subordinates (Krenjova & Raudla, 2013). For the entire process to work properly, employees should be both ready and willing to participate in the process.

From the employees' perspective, they are already actively involved in an organization since they arrive to work each day (Cyert & March, 1992). The employees' perception of an organization is shaped by actions of management and how employees are treated and respected (Cyert & March, 1992). With an inclusive policy on fundamental business decisions; collaboration could help employees and the organization achieve greater success.

### **Conceptual Framework**

The basic steps of budgeting have changed little in the past century (Hofstede 1968). Lazenby (2013) compares two theories of budgeting that were referenced throughout this research study. This first approach to budgeting theory, according to Lazenby is Theory X or the traditional approach to budgeting. Lazenby compared the traditional approach to budgeting to

Theory Y which is an updated version or a newer approach to budgeting. The theories presented and researched by Lazenby supplement Hofstede's theory of budgeting. Hofstede's theory of budgeting is the basis for this research study.

Lazenby (2013) found that the traditional approach to budgeting was an approach that was forced down from the top. The overall reason for an authoritative approach to budgeting was that of control. Control is often defined as how many subordinates a manager can effectively and efficiently impact (Young, 2010). Lazenby stated that "the upper levels of the organization needed to control both the work practices of employees and their access to and use of organizational resources" (p. 31). Lazenby did not determine if this was the superior budgeting method or not. However, Lazenby concluded that the traditional approach to budgeting could lead to game playing. Lazenby described game playing as simply agreeing with anything that was presented to operational managers, rather than taking initiative towards improvement. Ultimately, as Lazenby noted, the game playing began "in the way they (employees) participate in the budget process" (p.34).

Within the traditional approach to budgeting, as Lazenby (2013) further discovered, participation is not always evident. The behavior of those involved, directly or not, is predictable and a "natural result of a centralized, top-down budget system" (p. 35). Lazenby did not delve into the merits, or lack thereof, with traditional budgeting. The belief was that this process could work for some organizations depending on the leadership of the organization. However, Lazenby concluded that although managers are not necessarily included in the up-front preparation of the budget document, with a traditional approach, the managers become very astute at playing a budget game in order to achieve their own agenda.

In comparison to a traditional approach (Theory X), Lazenby (2013) offered an alternative to the budget process which was referred to as Theory Y in Lazenby's research study. In contrast to Theory X; Theory Y considered a bottom-up approach to the budgeting process. This approach is more inclusive as managers "adopted an empowering and encouraging attitude in personal interactions with their employees. They delegated meaningful work to their mid-managers, and tried to avoid micro-managing" (p. 45). The reasoning for this alternative, according to Lazenby, was to allow the mid-level managers the freedom to improve the process and to promote intelligent managers towards leadership positions rather than as administrators.

Lazenby was cautious in suggesting that Theory Y was superior to Theory X. The skepticism was apparent when Lazenby concluded that "a new management philosophy, or management style, won't make any difference in an organization with the same old plumbing" (p. 47). The success of the budget process, within an organization, will usually depend on the management style and the perception of employee attitudes. Regardless of the budget theory that is assumed.

The theories that Lazenby (2013) promoted came down to the same perception "we all want to be a part of something bigger than ourselves, to be engaged in work that has meaning and value" (p. 56). If a company adopts a traditional approach to budgeting, either the Theory X or the Theory Y approach to budgeting, employees, according to Lazenby, requires a sense of purpose which could be a very strong motivator. Heinle, Ross, and Saouma (2014), made a similar conclusion in their research study regarding participative budgeting. They determined that "what differentiates the two settings (top-down versus bottom-up) is the allocation and flow of interim information" (p. 1043).

Finally, Lazenby (2013) made an interesting observation regarding the comparison between Theory X and Theory Y budgeting. Lazenby concluded that if employees are given more authority, then the employees will have the additional burden of accountability for the budget process and for the final budget document. Various operating departments should not be micro-managed. However; those in positions of responsibility and ultimate accountability need to set limits in order to achieve corporate objectives.

### **Nature of the Study**

The nature of the study on collaborative budgeting qualified as a qualitative research study. Denzin and Lincoln (2013) determined that qualitative strategies involve complex experiments with many variables and treatments. Qualitative strategies provide the superior alternative approach over quantitative research methods because of the focus of the human experience (Moustakas, 1994). Budgeting qualifies as a human experience which qualitative studies can be used to further enhance a better understanding and describing the world of a human experience (Koch, Niesz, and McCarthy, 2013).

Qualitative analysis can be used as an assessment of how the policy of responsibility is determined. Patton (2002) considered various approaches to qualitative study, including interviews. Finally, Smith (2014) proposed that a qualitative research study ought to consider the variables that should be advanced and considered when developing a qualitative research study. For this research study the connection that was considered was the relationship between a collaborative approach and the success of an organization through the budget process.

When considering a study regarding collaborative budgeting preparation of the budget must be considered. Budget preparation is not an easy task as there are many steps in the

process. In order to have an effective budget process, the steps to prepare the budget should be documented. Once documentation is completed, the document should be forwarded to the participants with accurate and complete instructions. Communication is essential for preparing the budget, as it is for everyday life (Joiner and Chapman, 1981).

In this research study, I analyzed the potential impact of a collaborative approach to budgeting which will encompass Lazenby's (2013) theories of budgeting. A key characteristic of qualitative research methodology is data analysis (Gordon and Patterson, 2013). I considered the data in this study to be inductive because once I complete interviews with the perspective participants; I expected a relationship to emerge between improvements to the process and budget collaboration which could impact the GAAP of relevance and reliability of the process. The character of the relationships in the study gathered was indicative of a case study approach within the area of qualitative research.

Interviews were the primary data gathering source and were conducted for the research study. Since budget preparation and inclusion in the budget process is a personal lived experience, direct, face-to-face interviews were able to capture participant's feelings toward the budgeting process. Responses from participants shaped the categorization of impacts from the budget process. Utilizing interviews as a data gathering technique is typical with qualitative, case study research (Baskarada, 2014).

### **Definitions**

Research terms used frequently in this study and business operating procedures are mentioned below. Any further technical terms will be explained as needed throughout the research.

*Budget*: a quantified plan for future activities (Milani, 1975).

*Budget Participation*: a process in which an employee is involved with, and has influence on, the determination of his/her budget (Venkatesh & Blaskovich, 2012).

*Budgeting*: is the act of preparing the budget.

*Capital Budget*: a plan to finance long-term items such as fixed assets or property, plant, and equipment.

*Collaborative Approach*: the way in which people work together (Heller, 2003).

*External Users of Financial Information*: are people outside the organization who have a vested interest in the operational results and use financial information to make decisions regarding the organization. These would include creditors, shareholders, and the community.

*Financial Budget*: is the financial document which projects revenues and expenses to determine potential earning for a period of time (Wildavsky, 1975).

*Internal Users of Financial Information*: are people within the organization which would include operational and non-operational individuals who use the financial statements to make decisions.

*Operations of a Business*: includes the day-to-day running of the business in order to generate revenue, increase the value of the business, and secure the revenue and value of the business (Cyert & March, 1992).

*Participation*: an act of taking part in an activity (Sopanah, 2012).

### **Assumptions**

I assumed that all organizations prepare annual budgets. Private and publicly held organizations are not required to release budgeted financial statements (Bourmistrov & Kaarboe,

2013). Therefore, I could not be certain of the budget process in most organizations. In addition, I assumed that there is not a set budget template or a standard used by all organizations. Almost every organization has its own particular methodology when preparing and creating annual budgets. If there was a standard budget template for organizations, it would be easier for analysis and consistency. In addition, if there were a standard budget template, it could be easier to view deficiencies within the process and uncover areas that necessitate improvements to the procedure.

### **Scope and Delimitations**

The scope of this study was extended to financial and operational managers at various companies in the Metro Houston area. Since I have lived in the Houston area for over fifteen years, I have a wide network of professional contacts that were drawn from to locate participants for this research study. I assumed that these individuals had sufficient knowledge of operations and financial information for their area of responsibility at their particular company. Interviews were conducted with these managers in the Houston area where possible. The number of interviews was limited to 20 different operational managers. The small number of interviews that was conducted within the scope of this research study represents a potential limitation. Due to the diversity of budget preparation, findings of the research may not be representative. However, among similar industries, budget preparation is usually a common factor. In addition, given the experience of the participants in the data sample, results should reflect a strong cross-section of budget preparation methodology.

### **Limitations**

Because of their complexities, this research study did not include any reference to capital budgets nor on budgeted cash flows since familiarity with the balance sheet would be required. Based on my personal experience, most operational managers do not have access to complete and detailed balance sheet information. The focus of this research study only considered income statement budgets and how the income statement budgets were compiled. Normally operational managers are evaluated on income statement results and goals, not on balance sheet results since balance sheets represent a point in time rather than a period of time. Any potentially confidential financial information will not be considered when conducting interviews with operational managers. Confidential information would include, but not limited to, customer information, price strategy, detailed wage information, and cost structure.

There were no references to variance or statistical analysis or to the publication of budget results for an organization. Obtaining such information would be challenging as most organizations are protective and do not publish detailed budget information. For this study, the type of budget is not in question. However, the critical factor to this study is how the numbers were assembled. The main issue under investigation was the involvement of operations as the budget was crafted. I also ascertained through the interview process the variances between budget and actual results that exist. Bias from the participant's perspective was not an issue. Any bias that participants may feel towards their organization was mitigated by interview questions. During the interview, the scope focused on budget collaboration.

### **Significance of the Study**

Collaborative budgeting is a significant topic because of the number of people that are both directly and indirectly affected by the nature of budgeting. This study considered the important needs of investors, external users, and internal users of financial information that rely on accurate budgets to make decisions. The problem addressed in this qualitative case study is whether a collaborative approach to budgeting will affect the GAAP of relevance and reliability of the budget process. An accurate budget is important to investors because investors are the ultimate owners of publicly traded organizations who demand a return on their investments (Guta, Monea, & Slusariuc, 2011). Investors also impact share prices when trading stock. Confidence in the organizations performance is directly correlated to investors and shareholder's needs (Sopanah, 2012).

In order for a topic to be considered worthy or significant, the topic of research should be relevant, timely, significant, and interesting (Lazenby, 2013; Tracy, 2010). The topic of budget collaboration emerges from my years in the accounting field and from preparing budgets in a variety of methods. The topic is also relevant because of continuous improvement that is needed in all fields of business, including the accounting field. For accountants, improvements to the budget process is an interesting debate.

When conducting the literature review, several gaps in the literature were discovered with respect to collaborative budgeting and improvements towards the budget process. In their study of changes in management principles, Bourmistrov and Kaarboe (2013) found that very little is known when consideration is given to replacing the annual budget with other information tools.

They could not determine if the process improved the abilities of decision-makers within an organization by replacing the annual budget.

Employee participation with regards to budgeting still requires exploration. Umapathy (1987) found a striking gap and indicated that “we seem to know very little about what constitutes effective budgeting” (p. 25). This study will focus on comparing contrasting approaches and the impact of different approaches on the budget process. Another gap discovered from Mirvis (2012) who found that many open questions remain about engaging employees in business processes. This study will attempt to address the issue of improvements to the budget process. Adler and Reid (2008) found that leadership style for budget preparation can impact employee performance. They indicated that research regarding budget preparation “has received only intermittent study” (p. 21). This research study addressed the premise that a collaborative approach to budgeting should be considered and explored and that employee involvement helped with the process. Bhatti, Nawab, and Akbar (2011) studied employee participation practices. They indicated that there is a gap in the literature about the importance of employee involvement. Collaborative budgeting involves employees. This study considered employee involvement, through collaboration, and how the budget process could be impacted depending on the method of budgeting used. Finally, Shields and Shields (1998) realized that additional research is required on participative or collaborative budgeting. They acknowledged that “accounting literature typically adopts the notion that its purpose is either to increase subordinate motivation or attitude” (p. 66). This research study intends to expand upon this identified gap by considering how the budget process can be improved.

There are several significant issues surrounding the topic of collaborative budgeting and process improvement. First, accurate budgeting and achieving forecasted results, is a significant measure to ensure reliability and credibility of operational efficiencies (Sivabalan, et.al, 2009). Intelligent, up-front choices, such as a collaborative approach to budgeting, appear to be a stronger alternative for a successful budget implementation (Rubin, 1988). Information regarding budgets and the feelings of the participants was gathered during the interview process. The participants were asked non-specifically about budget to actual results in order to determine the success of the budget approach.

Second, a practical benefit from this study is to consider that if a collaborative approach could produce more accurate and meaningful budgets. The significance of this study is evident as inclusive budgeting can also provide a sense of teamwork within an organization (Cyert & March, 1992). Studying a collaborative approach to budgeting is significant, since there are many integrated components related to budget preparation (Bonini, Hausman, & Bierman, 1997). The significance of the study is further enhanced to determine if collaborative budgets could instill a sense of ownership and responsibility in order for managers to achieve specific targets.

Finally, this study is significant because of the direct impact on employees. With a collaborative approach to budgeting, employees may take more ownership and assume more responsibilities within an organization (Brown & Cregan, 2008). Collaboration could indirectly improve morale within an organization. I examined if operations are actively involved in the budget creation, what is the likelihood of organizational success greater than without active participation. I also examined the impact on employees if a collaborative approach is employed. The best practice strategy to develop from this study may be the establishment of new and

improved operating guidelines to ensure employees are consulted when budgets are prepared, especially in their specific operational area. The resulting effect could be improved financial results.

### **Significance to Practice**

Budgeting is performed by many corporations. Potential improvements, or innovative models to enhance the process, will be beneficial to those who are participating in the process and to those who utilize the budget reports to make decisions. Inventive theory in business is usually welcomed and actively encouraged to optimistically produce enhanced results (Peck & Reitzug, 2012). Exploring improvements to the budget process could benefit businesses in the short and long-term. Peck and Reitzug believed that improved business management theories eventually find their way into the classroom to become theory to be explored and studied further. This intent of this study is to enhance and augment business processes.

The significance of this research study from a practical position is evident as any improvements in the budgeting process could potentially provide a sense of teamwork within an organization. Significance of a research study often exceeds the application of existing research and theory (Tracey, 2010). Bonini, Hausman, and Bierman (1997) determined that a collaborative approach to budgeting should be considered, since there are many integrated components related to budget preparation. The significance of this study was further enhanced with an examination of a collaborative approach to budgeting could instill a sense of ownership and responsibility in order for managers to achieve targets. Finally, this study is significant because I examined the notion if operations are actively involved in the budget creation, whether the likelihood of success could impact financial results.

## **Significance to Theory**

There is a sufficient amount of research regarding the preparation of budgets and there is a considerable amount of current literature on the subject of budget formulation. Current research studies by Alino and Schneider (2012), Liu and Chang (2011), and Ostergren and Stensaker (2011) focused their studies on several important issues including: budget preparation, why organizations budget, and the reasons management utilize budgets for control purposes. These theories expanded upon the conceptual framework outlined by Lazenby (2013) by considering alternative approaches to budgeting and the need for budget improvement.

However, there remains a gap in the literature with respect to how a collaborative approach could benefit and improve the budget process (Lu, 2003). Another gap indicated with respect to budget improvement process was determined by Heinle, Ross, and Saouma (2014). In their research, they indicated that “much of the prior research on participative budgeting has analyzed the consequences of participative budgeting in terms of performance” (p. 1028). This qualitative research study will consider the budget process, rather than the final outcome of the prepared budget document. Finally, there is a gap in the literature regarding how collaboration could improve the budget process (Mirvis, 2012).

This research study completed that gap in the literature. Employees are often not included in an organizations day-to-day decision making. There is a widening gap with respect to employee involvement and empowerment in many organizations (Mirvis, 2012). Many studies have been completed regarding budgeting theories and examinations. These include studies by Tanase (2013), Helmuth (2010), Kyj and Parker (2008), and Vaznoniene and Stonciuviene (2012). Their studies considered how budgets are developed, including the benefits

of budgeting. However, there are few studies relating to actively engaging employees in the budgeting process from start to finish (Mirvis, 2012). In addition, another gap in the theory exists since there has not been an extensive study that explores the relationship between budget planning and collaborative preparation (Liu & Chang, 2011). While collaboration appears to be a meaningful method of preparing a budget, the number of firms that actually practice the approach appears to be minimal (Libby, 2010).

### **Significance to Social Change**

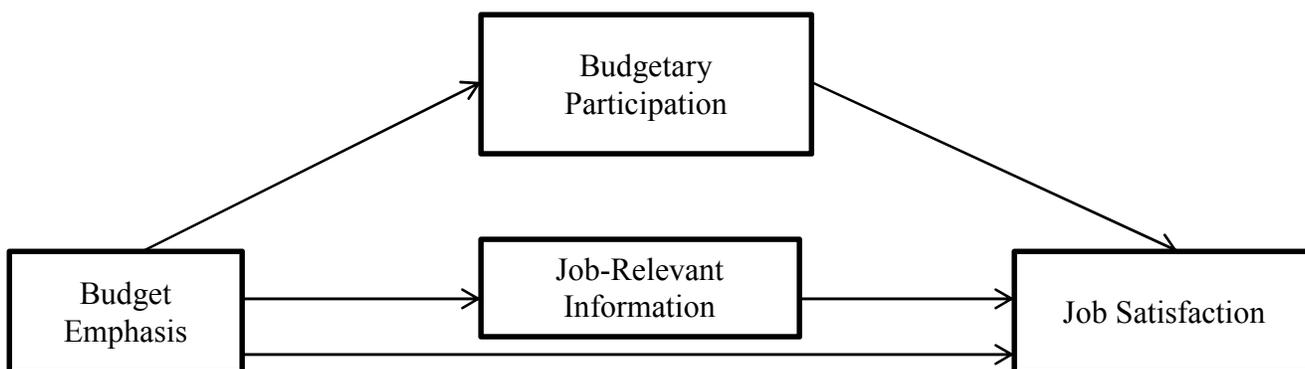
The preparation of a budget can take a considerable amount of time. Efficient use of time and energy in the workplace has a direct impact on the well-being of employees which can also impact social change. Budget preparation can have a direct impact on employee satisfaction in the work place. In their study, Wang and Bryer (2013) concluded that there is an urgent need for organizations to effectively manage resources.

Perhaps not directly, but indirectly, collaborative budgeting has an impact social change issues. If operational managers are included in the budget process, they may have increased job satisfaction. If a collaborative approach is used, there is the possibility that a sense of teamwork will progress in the workplace (Frow, et.al, 2010). If collaboration is used, there could be increased job satisfaction which will ultimately lead to a happier employee who enjoys going to work. In their 2012 study, Venkatesh and Blaskovich found that budget participation is positively associated with performance.

Employee satisfaction and morale is impacted, depending on the budget process. Whether the process is inclusive or not, employees are directly enmeshed (Schiff & Lewin, 1970). Most employees likely want to be part of an effective and efficient team that contributes

positively to society (Wildavsky, 1975). The method of budgeting can affect this notion.

Budgeting is significant because of the direct impact on social change as the accuracy of budgets can have an impact on individual investments rate of return (Chen, Liou, & Huang, 2012). Many private investors own stocks either directly or indirectly through mutual or retirement funds and depend on stable stock prices for retirement purposes (Basu, Bynre, & Drew, 2011). Investors count on organizations to meet, or exceed, budgeted targets. If an organization budgets accurately, investors may have more confidence in that organization. Greater confidence in an organization can impact share prices and perhaps dividend payout (Guta, Monea, & Slusariuc, 2011). It's possible that depending on the organization's budgeting approach the organization as a whole will provide more accurate information and in turn could have better operating results (Frow, et.al., 2010).



*Figure 1.* Social impact of collaborative budgeting

The above figure refers to the positive social change action that could occur with a collaborative approach to budgeting. This research study contributes to positive social change by

considering methods to empower and engage employees at many levels who could become more involved in the success of their organization. Collaboration and budget participation have a significant relationship with job satisfaction (Rodriguez, Carbonell, & Munuera, 2010; Tanase, 2013).

Completing budgets without the assistance of operations management or direct labor employees may result in an easier process for the corporate group to complete the budget. However, the lack of inclusiveness is not beneficial for the success of the organization. If a choice is made to actively include operations, budget quality will likely be stronger. This would include a collaborative budget approach. This research study contributes to positive social change by considering the increase in employee satisfaction and potentially increased corporate profitability.

### **Summary and Transition**

In this study, the researcher was concerned with an analysis of organizational improvements that could occur depending on whether the most appropriate approach to budgeting is undertaken and ultimately employed. Improving the budget process is a significant issue that corporations should consider to potentially advance the budget document and improving the budget process is something that could also impact financial results of a company. Engaging employees in an active manner can help build up the relationship between operations and management. Collaboration, or no collaboration, as well as employee's feelings towards alternative budgeting approaches are the focus of this research study. Chapter 1 introduced the study of budgeting approaches, identified gaps in the literature, and introduced a need for further research.

The theoretical foundation for this case study was derived from literature that will be presented in chapter 2. Chapter 2 will include a comprehensive literature review of studies on collaborative approach to budgeting, as well as employee engagement analysis. Various budgeting approaches were reviewed in this chapter to provide defense for the suppositions that are made. The literature review that is presented supports the research questions. Chapter 3 includes a description of the research method and will also include components of the research design and social significance of the research. Chapter 4 will contain the results of the analysis. Finally, chapter 5 will include conclusions from the study, limitations of the study, and recommendations for future study based on the findings from chapter 4.

## Chapter 2: Literature Review

The problem addressed in this study examined whether a collaborative approach to budgeting would affect the GAAP of relevance and reliability of the budget process. To support the primary problem under study in this research, the uncertainty surrounding the potential benefits of a collaborative framework to budgeting was considered during the interview process. The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, this study also affected latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments.

Current literature has varied on the topic of collaborative budgeting. Several gaps in the literature were discovered during the literature search. Notably, Zainuddin and Isa (2011) concluded that “while budget preparation is argued to promote better fairness perceptions among employees, only a few studies in management accounting literature have systematically examined the relationship” (p. 642). Even more striking was the conclusion from Lavarda and Almeida (2013). They found that “budget research is scarce; it is important and necessary to develop other studies” (p. 91). This research study intended to address the gaps indicated. These ideas expand on the theoretical concepts established by Lazenby’s (2013) proposal of potential changing from the traditional Theory X, top-down approach, to a revised Theory Y or bottom-up and inclusive approach.

This chapter will begin with a description of how the literature research was conducted. A brief discussion of the theoretical foundation relating to Hofstede’s (1968) study of budgeting

will be reviewed followed by an in-depth literature review which includes how current literature relates to the research questions developed in Chapter 1.

### **Literature Search Strategy**

The strategy used for synthesizing the literature in this chapter was based on examining alternative methods that could be used for budget preparation. Existing scholarly literature and research on the reporting of budget preparation for evaluation purposes was applied. The years included in the database search primarily included 2009 – present. However, I also searched prior to 2009 for additional background and supporting information. As articles were evaluated, reviewing the reference sections of the articles selected assisted with the literature search.

Key words that helped to identify the literature resources for this study were (a) *budgets*, (b) *collaborative approach*, (c) *participatory budget preparation*, and (d) *employee engagement*. The search engines used to gather related literature on the problem statement were (a) EBSCOhost database, (b) management and business research databases, and (c) Google scholar. These were the main sources used to extract current literature related to a collaborative approach to budgeting and how a collaborative approach would aid in the improved operating results if a collaborative approach was taken to preparing a budget.

### **Theoretical Foundation**

The theoretical framework for this study is Hofstede's (1968) theory of budgeting. The theory proposed in this research incorporates collaborative budgeting and develops Hofstede's understanding that budgeting can be a significant tool for managers. The research questions for this study were developed from the work of Hofstede. The literature review that was conducted expanded on Hofstede's theories. Hofstede's (1968) theory has a direct reflection on the

collaborative budgeting process, which considered if collaborative budgeting theory or if another, more appropriate, budgeting theory can be used to make decisions and to plan effectively. This perception is the foundation of my study. Active and collaborative participation could potentially lead to other unexpected results that will help to promote an accurate budget process.

In particular, Hofstede's (1968, 2001) theory of cultural dimensions provided the foundation for this research study. One of the theories developed by Hofstede was the notion of power distance. Low power distance, with a focus on participative orientation, is the basis for collaboration to be successful. Low power distance theory utilizes influence and communication skills in order to create an effective plan. Low power distance refers to the disparity between those who have authority to make decisions and to those who do not (Madlock, 2012). Inclusive discussions which allow for challenges and questions are also a factor with Hofstede's theory of low power distance. Finally, providing a forum where a team can be involved in discussions including recommendations for improvement and how to support changes on an enduring basis set the framework for this research study.

Corporate financial budgets are sometimes prepared in a vacuum. It can be perceived that organizational budgets and forecasts could be seemingly forced down on operations from a higher level via finance. Operational managers are not necessarily consulted when annual budgets are prepared (Brown & Cregan, 2008). Budgeting can be a significant and critical tool for managers in order to assist the managers when making decisions. From a financial perspective, budgets are needed to plan effectively (Hofstede, 1968). The budget document, if operational managers are not included, could contain extraneous or inappropriate assumptions

and information. This unsuitable information could result in financial budgets that are not indicative of actual operational results. Hofstede (1968) supported the notion of a collaborative budget with his observation that without lower level managers buy in, the budget proposal may not succeed since they were not included in the upfront or overall process. Instead of a realistic and achievable budget (Bonini, Hausman, & Bierman, 1997; Rubin, 1988), the non-collaborative budget reflects aspirations of executives, which could not accurately reflect achievable operation results.

Consideration regarding the inclusion of additional employees in the budget process could deliver a benefit to an organization. From the employees' perspective, many employees are actively participating in an organization as they arrive to work each day (Cyert & March, 1992). The employees' daily routines include them in many procedures and processes throughout the year. An employees' awareness of an organization is shaped by actions of management and how employees are treated and respected (Cyert & March, 1992). With an inclusive policy on fundamental business decisions; collaboration could help employees and the organization achieve greater success.

The purpose of this research study was to examine the benefits of a collaborative approach to budgeting. Researchers who have studied budget preparation have focused on the comparison of results rather than how budgeted numbers were determined. Milani (1975) indicated that most research efforts focused on the final output of the budget rather than considering a participative approach. In this chapter, the strategies used by several scholars were evaluated using existing literature to determine if a collaborative approach to budgeting will provide better results. A collaborative approach to budget creation could provide a

comprehensive sense of ownership among employees who want to experience inclusion in the budget process and contribute to operational results.

Hofstede's (1968) Theory of Budgeting and in particular Hofstede's (2001) Theory of Cultural Dimensions formed the foundation for this research study. Within Hofstede's Theory of Cultural Dimensions is the notion of power distance. Power distance refers to the degree of inequity that exists and is accepted among people with and without power. For a centralized or decentralized organization, power distance has distinct impacts. Lower power distance, versus high power distance, can be directly related to budget preparation and improvements in the budget process. According to Hofstede, low power distance has characteristics of a flatter organization that encourages teamwork. With this theory, supervisors and employees are almost considered as equals. As a result, an organization involves as many people as possible in decision making. With respect to budget preparation and inclusion in the process, the notion of lower power distance is crucial for process improvement and for inclusion. Throughout this literature review, Hofstede's Theory of Cultural Dimensions, especially power distance will be compared and referenced.

Public (government) and private budgeting has several similarities. Although Wildavsky (1975) concentrated on public budgeting, his theory is also fundamental to this research study and to private industry. Wildavsky's Theory of Budgeting proposed that many people should be active in the budget process. Not only should these additional people have input into the process but they should also actively participate in the process to ensure that the final document is sound, reliable, and relevant for the public's use and consumption.

Most corporations budget on an annual basis. The process of annual budgeting is an integral part of a business and budgeted amounts in comparison to actual results can be a significant component of management compensation (Schiff & Lewin, 1970). In addition, Schiff and Lewin noted that if budgets are prepared by upper management and merely pushed out to the field operations, upper management is in control of the documents. A consequential result is that field operations are omitted from the process. In contrast, if budgets are prepared by the operations group, then budgets could be used for effective planning purposes. Scrutinizing collaborative budget participation is important with regards to employee performance related issues (Lu, 2011).

Regardless of how large or small a business may be, budgeting is a significant event for almost every organization. In order to aid in the success of a business, forecasting and budgeting could take up a considerable amount of time and energy from an operational and financial perspective. To achieve accurate budget preparation, many people in the organization should be involved in the process, especially those with broad operational expertise. For the benefit of an organization, and for users of financial information, budgeting should not be dictated by a small group of people. Instead, to be effective, the creation of the budget should be a collaborative approach in order for businesses and for individuals to succeed. Establishing a cohesive, cooperative, and decision-making plan that evaluates alternatives determines that a financial model can be a manifestation of the collaborative approach that should be considered when preparing annual budgets or forecasts (Bonini, Hausman, & Bierman, 1997).

Participatory budgeting includes many people within an organization in the budget process. Participatory budgets are becoming more popular in many public organizations (Rios &

Insua, 2008) since participating in the budget process will encourage a sense of ownership from the taxpayers perspective. This is not the case with private organizations. Collaboration is the next logical step in active participation of the budget process. Wong, Guo, and Lui (2010) determined that “participation may lead to employees’ increased trust and sense of control, more ego involvement, increased identification with the organization, the setting of higher goals, and increased goal acceptance” (p. 136). Clearly, additional involvement in the budget process will lead to increased employee satisfaction. In addition, active employee involvement in the budget process will help to create a stronger, more reliable team. Wong, Guo, and Lui further noted that inclusion in the budget process can increase moral within an organization and increased job satisfaction could be an outcome.

Government organizations, as well as private industry, continue to search for improvements to the budget process. Participatory budgets are gaining more popularity in the governmental field (Schick, 2013). Participatory budgeting is a fairly simple concept. Participatory budgeting means that employees and subordinates decide what the priorities and projects that should be included when preparing the budget (Baiocchi & Ganuza, 2014). Open structure of meetings to decide on procedures that regulate effective communication also contributes to a successful business plan.

A collaborative relationship is significant for budget presentation, and for this research study, since lower level managers will assume significant ownership and responsibility. If opinions and ideas of various levels of management are respected and considered when preparing the budget package, it’s likely that the final budget document will be one that is effective, which can be used successfully to manage expectations. Without lower level managers

input and buy in, the budget proposal may not succeed if operation managers are not included in the upfront budget creation process.

### **Conceptual Framework**

Budgeting processes have remained stagnant for many years. The basic steps of budgeting have changed little in the past century (Hofstede 1968). Lazenby (2013) found that the traditional approach to budgeting was an approach that was forced down from the top. The overall reason for an authoritative approach to budgeting was that of control. Lazenby stated that “the upper levels of the organization needed to control both the work practices of employees and their access to and use of organizational resources” (p. 31). Lazenby did not determine if this was the superior budgeting method or not. However, he did conclude that the traditional approach to budgeting could lead to game playing. Lazenby described game playing as simply agreeing with anything that was presented to operational managers, rather than taking initiative towards improvement. Ultimately, as Lazenby noted, the game playing began “in the way they (employees) participate in the budget process” (p.34).

Within the traditional approach to budgeting, as Lazenby (2013) further discovered, participation is not always evident. The behavior of those involved, directly or not, is predictable and a “natural result of a centralized, top-down budget system” (p. 35). Lazenby did not delve into the merits, or lack thereof, with traditional budgeting. The belief was that this process could work for some organizations depending on the leadership of the organization. However, Lazenby concluded that although managers are not necessarily included in the up-front preparation of the budget document, with a traditional approach, managers become very astute at playing a budget game in order to achieve their own agenda.

In comparison to a traditional approach (Theory X), Lazenby (2013) offered an alternative to the budget process which was referred to as Theory Y in Lazenby's research study. In contrast to Theory X; Theory Y considered a bottom-up approach to the budgeting process. This approach is more inclusive as managers "adopted an empowering and encouraging attitude in personal interactions with their employees. They delegated meaningful work to their mid-managers, and tried to avoid micro-managing" (p. 45). The reasoning for this alternative, according to Lazenby, was to allow the mid-level managers the freedom to improve the process and promote intelligent managers towards leadership positions rather than as administrators.

Lazenby was cautious in suggesting that Theory Y was superior to Theory X. The skepticism was apparent when Lazenby concluded that "a new management philosophy, or management style, won't make any difference in an organization with the same old plumbing" (p. 47). The success of the budget process, within an organization, will usually depend on the management style and the perception of employee attitudes. Regardless of the budget theory that is assumed.

The theories that Lazenby (2013) promoted came down to the same perception "we all want to be a part of something bigger than ourselves, to be engaged in work that has meaning and value" (p. 56). If a company adopts a traditional approach to budgeting, either the Theory X or the Theory Y approach to budgeting, employees, according to Lazenby, requires a sense of purpose which could be a very strong motivator. Heinle, Ross, and Saouma (2014), made a similar conclusion in their research study regarding participative budgeting. They determined that "what differentiates the two settings (top-down versus bottom-up) is the allocation and flow of interim information" (p. 1043).

Finally, Lazenby (2013) made an interesting observation regarding the comparison between Theory X and Theory Y budgeting. Lazenby concluded that if employees are given more authority, then the employees will have the additional burden of accountability for the budget process and for the budget document. Various operating departments should not be micro-managed. However; those in positions of responsibility and ultimate accountability need to set limits in order to achieve corporate objectives.

### **Literature Review**

In order to systematically assess the literature and to expand upon the research questions posed in Chapter 1, the literature review was conducted with the research questions in mind. Each research question was considered independently as the questions were critical in establishing a foundation for further research for the important topic of collaborative budgeting. Lack of inclusion of employees with the budget process could have significant negative impacts. The exclusion of some people, that should be involved or consulted in the budget process, may lead to dysfunctional behavior from those employees who are left out of the process (Radu, 2011). In addition to the research questions, Lazenby's (2013) theories of budgeting were instrumental in reviewing and assessing appropriate literature.

Budgeting is based on a series of straightforward principles. The fundamental budgeting principles presented by Cyert and March (1992) are evident in a study conducted by Lazenby (2013). Lazenby expended on the research from Cyert and March and proposed two additional theories that can be used when preparing a budget. Lazenby referred to these contrasting theories as Theory X, which is a more traditional, top-down approach to budgeting and in comparison Lazenby presented Theory Y which is a bottom-up approach to budgeting. These

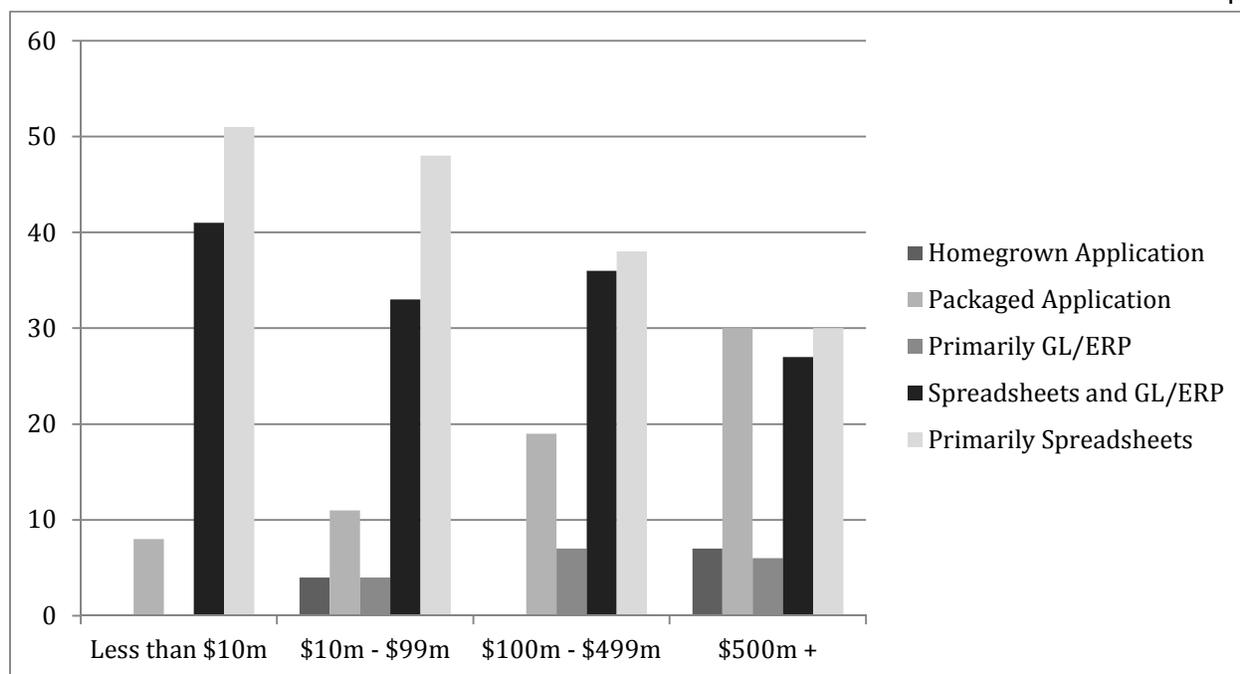
theories will be explored and referenced in more detail later in this chapter. A significant contention to note is that Lazenby did not indicate, nor conclude which theory was the superior methodology to budgeting. However the premise of Lazenby's study was similar to that of Cyert and March. Lazenby determined that all facets of an organization should be working together, regardless of the approach, for an ultimate goal. The goal to be achieved in both proposals was the success of the organization.

Budgeting is an important topic for most organizations and to contribute to the body of accounting knowledge. Since most organizations prepare annual budgets, improvements to the process could have a wide impact. Budgeting is useful a useful tool for evaluation purposes (Schwartz, Sudbury, & Young, 2014). In addition, the budget of an organization is one of the key instruments in the business management process (Vaznoniene, 2012). Vaznoniene also concluded that 82.5% of those surveyed found the budget process to be not useless.

Several topical studies suggested and also supported the conclusion that Milani (1975) noted which was that budgets were "extremely useful in assisting management to fulfill its functions of planning, coordinating, and controlling enterprise activities" (p. 274). In addition, Milani's (1975) study provided vindication for Hofstede's (1968) notion of advocating "participation in budget setting" (p. 282). Budget preparation and who is involved in the groundwork can determine the potential success of the overall budget and can also contribute to the success of the organization (Rossman & Shanahan, 2012). Management style is also an important factor which can assist with the concepts of budget preparation. In addition, leadership and actions of an organization is an integral component to push for a collaborative approach (Adler & Reid, 2008).

Nevertheless, many organizations try to maintain their costs and require greater engagement of employees to increase communication and to increase cooperation on many different elements (Richardson & Taylor, 2010). Creating an atmosphere of greater participation in the budget process is one step in moving towards increased cooperation and communication within an organization. A significant problem can arise with poor lines of communication. Bartels (2013) determined that “lacking communication capacity means wasting precious time, resources, and energy and damaging trust, relationships, and willingness to collaborate” (p. 669). Communication within an organization, regardless of the issue at hand, remains a significant issue that should be addressed.

Organizations utilize a variety of methods to create the budget document. As indicated in figure 2, spreadsheets are the most common form of budget creation documents. Regardless of the manner in which the budget was created, employees, at various levels, need to be involved in the entire budget formation development.



*Figure 2: Budgeting Tools Used by Company Size.*

Budgeting can take time to complete. Since there is a considerable time commitment with the preparation of budgets, additional resources could be applied to manage time more efficiently. Radu (2011) found that on average the current time for preparing budgets varies. Radu discovered that the majority of budgets take under four months to complete. Specifically, 31% of organizations spend between three to four months preparing their budgets, while 40% of organizations take between one to two months to complete the budget process.

In order to have a participative and collaborative approach to budgeting, there are two distinct areas that should be considered. Rossman and Shanahan (2012) determined these two notions to be openness and inclusiveness. They determined that in order to be successful with a collaborative approach to budgeting, management should focus on openness by embracing a “lack of secrecy, access to information, and transparency of the process” (p. 57). In addition, if

management would like to focus on inclusiveness, management should concentrate on “representation and participation” (p. 57). The idea of participating and informing is crucial to a collaborative approach. This theory directly relates to the theoretical framework proposed by Lazenby (2013).

Consideration should be made to review if a change to the budget process is needed. A question that management of an organization should ask is if there are better or more appropriate alternatives when budgeting. Schick (2013) noted that new methods of budgeting should be considered to take account of results and in order to seek alignment between budget decisions and corporate objectives. Once the annual budget is completed, a review should be rendered of the process to assess what may have worked during the process and what may not have worked.

In a study conducted by Vaznoniene and Stonciuviene (2012) out of 650 organizations surveyed, 60.7% of the respondents to the survey indicated that it was necessary to make changes to their budgeting procedures. Unfortunately, many organizations do not know how to overcome budgeting problems. Bartels (2013) noted that “professionals often get stuck, so that they keep on having the same conversations over and over again, facing many recurring problems, and not seeing a way out of continued deadlock” (p 669). Rather than moving forward, many organizations, although unhappy with a current process, continue with an inefficient process which is unhealthy for the organization.

The problem, for many organizations, that arises relates to how a budget is actually prepared. In many cases, budgets are a top-down event with little to no interaction among participants (Richardson & Taylor, 2012). The top-down theory is in-line with Theory X

indicated by Lazenby (2013) which is in contrast to the bottom-up, or inclusive, Theory Y that Lazenby proposed as a contrasting theory.

Individuals that are impacted most often may not be directly involved in the budget process and therefore are not included in determining the final budget numbers. Instead, budgets are created at a corporate, or headquarters, level and simply pushed-down to field-level operations (Arnold & Gillenkirch, 2011). Richardson and Taylor (2012) ascertained that a top-down approach will usually provide an unreliable budget document. In contrast, Gomez, Insua, Lavin, and Alfaro (2013) found that participatory budgets are growing in popularity for many municipalities. In their case study, they found that citizens are allowed to participate in the allocation of funds in a municipal budget. Increased participation in these cases has been successful (Gomez, et al, 2013; Schick, 2013). Alves and Allegretti (2012) were in agreement with Gomez, et al. Alves and Allegretti found that participatory budgeting, from a government perspective, is an important tool and is a budgetary method which is spreading around the world.

Budget documents should be living documents. The process should be adapted as each organization works through the budget document. The budgeting process is extremely important to management and is considered a fundamental tool for accountability that exists in an organization (Lavarda & Almeida, 2013). However, Vaznoniene and Stonciuviene (2012) noted that “results of scientific research shows that businesses are still facing budgeting problems and deficiencies” (p 157). Their conclusion is an indication that changes should happen to the current budget process of many organizations.

The two ideals indicated to assist with updating budget processes were developed by Rossman and Shanahan (2012). Their proposal for changing the budget process include the

concepts of openness and inclusiveness. These ideals are fundamental theories for the success of a collaborative approach to budgeting. The concepts presented by Rossman and Shanahan, as well as Madlock (2012) are similar to the notions of power distance as presented by Hofstede (1968). The similarities begin with the theory that in order for management, and the entire organization, to succeed and for employees to be successful, the entire team needs to participate and represent their own areas of expertise. In addition, all those who are in the collaborative process should have access to all pertinent information in order to prepare a solid document. Transparency in the process, through communication, will quash any potential issue of secrecy. If all assumptions that are made are revealed to participants, any lack in access to information will be addressed.

Rios and Insua (2002) proposed a counterpoint that should be contemplated and addressed when considering implications of a collaborative budget approach and with changing the budget process. They proposed that “participatory budget experiences have been characterized by conflict, due to the large variety of groups with different interests that take part in it” (p. 204). Their statement should be explored further. However, the scenario they raised could be addressed by someone on the management team with strong leadership skills, who understands the business, and is patient with those that are involved with the collaborative budget process. If the leader does not have these skills, then the entire process could be doomed to failure. Leadership, communication, and basic management skills are the fundamental factors to ensure budget success.

To make improvements in the budget process, experience is an important factor. Experience comes from an understanding of what happens at an operational location. If an

operations manager is included in the budget discussion, that direct involvement will help prepare the document. Experience is an important factor to determine how a budget system will work and how to implement any changes that are required in order to meet budgeted targets (Huang & Chen, 2009). Huang and Chen's observations are in agreement with Hofstede's (1968) theory that experience of those preparing the budget will help with the overall function of the process. In addition, if leadership in an organization encourages participation, this could affect the level of cynicism in an organization (Brown & Cregan, 2008). A positive atmosphere creates positive feedback in an organization. Managers have a choice to make the atmosphere in an organization positive or negative. Participation in the budget process is crucial for employees to feel part of a team and for success of an organization. Milani (1975) noted that "the relationship between performance and budget participation were statistically significant" (p. 282). A positive and participatory atmosphere in an organization will help to generate a better collaborative approach (Brown & Cregan, 2008).

The budget process can be overwhelming for those that do not have strong accounting or financial knowledge. If a collaborative approach is employed, human relationships will develop as managers within the organization work together to develop a document that can be achievable and represents a true picture of what could be realized (Joiner & Chapman, 1981). Employees should be involved in the decision making process in order to have a better understanding of the requirements for success. This could result in greater motivation and effort on behalf of employees (Brown & Cregan, 2008). Heller (2001) confirmed that there cannot be buzz-words used to convey a mixed message. In order to fully ensure that employees are contributing to an

organization, the employer has to mean it, and act upon it, to make sure that employees are truly contributing to the success of the organization.

If the budget process is changed, there could be several direct impacts to the organization. Firms that do not progress nor move forward by not investing in the budget process could leave potential projects unexplored (Hornstein & Zhao, 2011). This theory was echoed by Nahartyo (2013) who determined that progressive change is important and “one way to create a fair environment is to provide people the opportunity to participate in a budgeting decision process” (p. 86). This idea of change is important for the success of the organization and also for the success of the firm. Changes to the budget process can occur regardless of the particular nuances of an organization. Unfortunately, changes in the distribution of work over the past two decades has resulted in a decrease in the influence workers have on when and how to do their work (Lopes, Lagoa, & Calapez, 2014). This decline has also impacted the content of their work, including the lack of inclusion in the budget process. The decline should be reversed.

Employees understand nuances of business. In addition, employees do not subscribe to insincerity emanating by upper management. Heller (2003) observed that “there is evidence that inauthentic participation, after a while, leads to skepticism and frustration” (p. 147). Employees realize and understand when their ideas and contributions are ignored. If employees are to be part of the process, management needs to make sure that they are truly part of the process. Orlando (2009) was in agreement with the delicate balance of budget contribution. Orlando observed that “too much direction, and managers feel the numbers don’t belong to them; too little, and the process wanders aimlessly” (p. 48).

Several theories in literature have been suggested regarding changes to the way an organization could approach budget preparation. These principles have expanded upon Lazenby's (2013) theories. In particular, Huang and Chen (2009) distinguished and promoted two different types of request tactics. The two types of request tactics are – straightforward and non-straightforward tactics. In their study, it was determined that straightforward tactics were much more successful in creating a positive and collaborative atmosphere while preparing annual budgets. One of the more important items on the straightforward tactic discovered by Huang and Chen was that: “a manager seeks the help of others (other than his or her superiors) to get what he or she wants in the budget” (p. 301). An open discussion is the fundamental basics of collaborative approach to budgeting.

Straightforward tactics, as the name implies, is one that employers should strive to achieve. Employers need to ensure that employees are kept up-to-date of what requirements are necessary in order to be successful. That observation follows straightforward thinking. Presenting facts that support decisions and promotes challenges to operations management, will normally achieve results.

If managers are open with each other, the likelihood of success can be achieved. Developing an open dialogue with all management levels usually results in a document that everyone is satisfied with. If there is an open discussion that will also aid in the chance of an enhanced, more complete budget document, operations will likely take ownership of the budget. It is good to challenge operations to improve results and achieve higher returns. However, challenging targeted amounts should be completed with discussion an open mind (Huang & Chen, 2009).

Rios and Insua (2008) made an interesting observation with respect to participative budgets. They realized that “ participatory budget processes are based on discussion and physical meetings in which preferences are usually established through voting, very frequently just by raising hands, with potential disadvantage for people with poor communication skills” (p. 204). Only those leaders who have the skillset to be effective communicators can succeed with a collaborative budget. Some managers may think it’s easier to create budgets on their own and ignore feedback or questions. These types of managers will never be able to participate in a collaborative budget approach nor fully realize strategic goals of an organization.

In order to be successful, Chen (2003) proposed a thought-provoking question: “whether interdivisional cooperation is desirable from headquarters’ perspective” (p. 776)? This question is important for collaborative budget purposes incase upper management and individuals in corporate are not supportive of a collaborative approach, the budget process will not be successful. In addition, if headquarters’ insists on maintaining control, ownership of the budget process will not become the responsibility of those who will be held accountable. It is important to note that employees’ commitment to an organization is also likely to increase if there is a collaborative approach to budgeting (Yahya, Almad, & Fatima, 2008). One alternative to a collaborative approach could be decentralization.

The substance of the theoretical foundation of Lazenby’s (2013) Theory Y collaborative approach to budgeting is decentralization. Decentralizing can occur where the decisions are essentially made and where the bulk of the organizations day-to-day activities actually take place. Decentralizing some decision making power could be a benefit to an organization (Schiff & Lewin, 1970; Hofstede, 1968). Yahya, Almad, and Fatima (2008) agreed that “the budgetary

process is more effective in a decentralized structure, as it motivates managers, thus enhancing their performance” (p. 661). This comment confirms that if managers have some autonomy, can make their own decisions, and create the budget with some input, the final document could be much more in-line with corporate objectives.

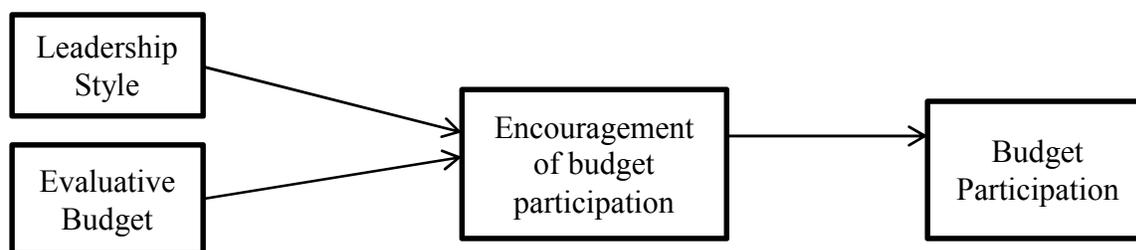
By decentralizing, a company can be more in alignment with people making fundamental decisions that will ultimately benefit the entire organization; one way to address this issue is with collaboration. In a decentralized organization, budgeting is an important factor in resource allocation, control, and planning (Chen, 2013). Participation in the budget process is more interactive and collective (Lu, 2011) by means of discussion and presenting arguments to support the premise of the budget and that assumptions of the budget create a worthy document to be supported. Finally, depending on the organization, decentralized participation in the budget process will likely improve job satisfaction (Cheng, Chen, & Shih, 2014). However, leadership style and organization philosophy also become factors in the overall sense of employee satisfaction and with the concept of decentralization.

Many times, employees at the corporate level may not fully understand the fundamental mechanics of operations and the questions that need to be asked. Huang and Chen (2009) made a noteworthy observation with their study. They noted that “it is reasonable to suspect that a senior-level manager might have less detailed knowledge about the resources required to satisfy the organizations day-to-day operational requirements than a lower level manager” (p. 299). This statement is the critical point for this research study. The benefits of a collaborative budget, and the reasons for promoting a collaborative budget, are that operational managers understand their basic financial requirements. That is the reason that a local operations manager should be

included in the budget process. A question that should be considered to move forward would be - how can management complete the budget if they are not in the daily grind of operational activities. There is no feasible way that corporate employees will be able to properly accomplish budget preparation without discussions and involvement of operations.

There should be open lines of communication during the budget process. There is potentially a need for collaborative budgets because the open communication will foster open relations with team members (Kyj & Parker, 2008). In addition, if there is open communication and a collaborative approach, the work environment will improve with an air of fairness and openness. The result of this environment could be that subordinates will realize that their opinion and input actually matter. Barriers to information, rather than an open approach, make it difficult to make appropriate investment decisions (Hornstein & Zhao, 2011). Open budget meetings allow for the executive group the chance to review and critique employees to see if they really understand the business and to what extent the employee can contribute to a better organization (Kyj & Parker, 2008). In addition, it is important for employees to have the opportunity to be included in budget meetings as well as the decision making process (Brown & Cregan, 2008).

Nevertheless, participative and collaborative approach to budgeting also reflects the leadership style of management. It is possible that better information sharing mechanisms could reduce the margin of error for both over- and under-investing firms in an asymmetric manner (Hornstein & Zhao, 2011). If there is a sense of openness and willingness to be inclusive, leaders will also succeed with a team that is supportive and willing to provide input to many different scenarios (Kyj & Parker, 2008).



*Figure 3: How leadership and participatory budgets interact*

A more open and capable leader who accepts differing points of view is more likely to consult with operations for input to financial budgets. Tanase (2013) understood that leadership styles impact the budget process. An individual lacking communication skills is likely to finish the budget without the input of those affected. The result could be a poor budget and strained employee relations. In addition, Kyj and Parker (2008) noted that managers who respect and understand what operations are dealing with will also feel empathy towards their situation. These results should ensure that managers are consulted when making budget decisions. Brown and Cregan (2008) made an interesting observation. They realized that “involvement in decision making acknowledges that employees and employers have different but legitimate interests in the employment relationship” (p. 680). This means that although employees and employers look at their duties from different ends of a spectrum, ultimately their concerns merge as both consider the employment opportunity and want to be successful in their position within the organization.

Companies prepare budgets in order to help set goals, and to manage expectations of investors. In addition, budgeting can be a significant tool for managers in order to make

decisions and to plan effectively (Hofstede, 1968). Hofstede (1968) indicated that “budgets can be seen as a tool for delegating authority by making managers at lower levels responsible for a budget; top management delegates a quantified responsibility to them” (p. 29). This observation is an indication that a possible collaborative relationship is significant for budget presentation and will be the foundation for this research study since lower level managers will assume significant ownership and responsibility as long as their opinions and ideas are respected and considered when preparing a budget package. Without lower level managers input and support, the budget proposal may not succeed if they are not included in the upfront process (Frow, et al., 2010). Selecting the appropriate budget methodology, whether inclusive or exclusive, will be essential to determine the impact of a manager’s involvement in the process. These principles are directly related to the theoretical foundation as indicated by Lazenby (2013).

The approach to gathering information and requirements that are given to operational managers will impact how budgets are prepared. Professional consideration has to be taken into account regarding how budget information is gathered (Joiner & Chapman, 1981). This will, in turn, determine the success of collaboration. Operational managers need guidance and assistance when they undertake the budget process. The manner of support for this undertaking will also determine the success of the budget document. If there is neither direction nor support from corporate management, the budget process will become tedious and serious issues could arise. Operational managers will have cause for frustration (Joiner & Chapman, 1981) if no direction is provided.

Experience is a critical factor with respect to budget preparation and process improvement. Experience in budgeting is critical because those who budget from year-to-year

usually learn from past experiences, either positive or negative (Chen, et al, 2011). In their 2009 study, Huang and Chen (2009) found that corporate managers, who are responsible for submitting final budgets, are less likely to utilize non-straightforward tactics in their budget requests. It could be inferred that corporate managers really do not understand operations and have to ask intelligent questions in order to understand what is actually going on with operations. Huang and Chen referenced Hofstede's (1968) observation that "age and experience of budgetees are important factors to determine how a budget system will function" (p. 299). With a greater understanding of operational activities, corporate finance managers can be more efficient in preparing the budget. In contrast, the finance team should include the operations managers in all levels of discussions so that operations will feel part of the process instead of not included in the process.

If there are open discussions, all sides of operations learn from each other. The budget process is not one-sided but becomes two-sided which benefits the organization as a whole. In addition, open discussions could lead to better operating results. Problems that arise during the budget process can usually be resolved by staying in touch and keeping the lines of communication open. If there is greater openness and inclusiveness, there could be more productive conversations (Bartels, 2013).

Budgeting has a direct and indirect impact on both internal and external users of financial information. Investors, external users, and internal users of financial information rely on budgets to make decisions. An organization that has strong internalized knowledge can lead to superior competitive advantages. The result could be a higher firm value (Hornstein & Zhao, 2011). An organization that promotes strong communication skills can possibly build upon infrastructure

within the organization. If a strong internal structure is in place, management of the corporation can use it their advantage to make the organization more solid. Strong internal controls can assist with superior results.

A budget that is forced down on employees without any input will not provide solid results. This idea is indicated in the theoretical foundation by Lazenby (2013) as the Theory X approach to budgeting. The opposite of a participative budget is one that is autocratic in nature (Adler & Reid, 2008). To support this notion, Adler and Reid (2008) further confirmed that “participation aids in goal internalization and ultimately task commitment and performance” (p. 22). Internal organizational controls support the creation of the budget and the processes that are in place to support a collaborative approach. Chong and Chong (2002) realized that “the act of participation increases a subordinates’ trust, sense of control, and ego-involvement with the organization” (p. 68). In addition, Chong and Chong determined that if employees are included in the budget process, employees could be less likely to be resistant to change and be more willing to accept changes that could be proposed to the budget as the final numbers presented are analyzed and challenged. Brownell and McInnis (1986) determined that there is a positive relationship between participation and motivation in the workplace. Brownell and McInnis observation is in agreement with Hofstede (1968). Their conclusions were similar regarding the relationship between participation and motivation.

Sufficient planning is required for budgeting. Budgets cannot be compiled without thought, discussion, and cooperation among participants (Joiner & Chapman, 1981). The budget process affects many different levels of management and the budget process should be approached in a rational and realistic manner. The budget should be approached with

organizational objectives to be effective. The budget process should be a collaborative and inclusive event rather than an authoritative event (Yahya, Almad, & Fatima, 2008).

It takes many people to create a successful, working budget. Ultimately, people make budgets work (Umapathy, 1987). Budgets play an effective role in achieving strategic goals of an organization (Libby & Lindsay, 2010). In addition, budgets set the overall financial standard of an organization, and can assist the financial group of an organization when they are analyzing fluctuations of goals in an establishment during a fiscal year. Large, medium, and small businesses create budgets annually in order to predict and plan for future events (Sivabalan et al., 2009). Budgets should not only be used as a forecasting tool but also should be used to attract investors to make a company stronger. Much money, time, personal energy, and operational effort can be spent on creating budgets.

Budget collaboration will likely produce better results if more people are involved in the overall process. Scholarly literature has examined benefits of active participation in order to have a collaborative budget that is accurate and fair. According to Heller (2003), most decisions are made at the top level of an organization. In many cases, upper management is unwilling to share decision making authority that exists. As an approach to this study, Lu (2011) posed a fascinating question with “what are the impacts that the participation patterns have on: (a) the measurement quality, and (b) the use of performance information” (p. 81)? These questions indicate how important a collaborative approach could be with regards to budget creation. These questions also have an impact on this research study and were fundamental in the development of the research questions established in Chapter 1. Internal coordination of processes, including

the budget process, is important for strategic goals of a corporation (Hornstein & Zhao, 2012).

The goals include corporate innovation and the overall performance of the firm.

Financial performance could improve because of inclusiveness or with a bottom-up approach to budgeting. There is a direct relationship between budget participation and how an organization is structured (Yahya, Almad, & Fatima, 2008). This relationship is crucial to understand when people want to be involved in the process and how management perceives their own employees. If there is no respect for those directly involved in the budget process, the chances of failure is great. Yahya, Almad, and Fatima concluded that management “should encourage budgetary participation as it is evidenced to have an effect on performance” (p. 669). Improved performance could not only be apparent on the management side but also be apparent on the employees’ side when it comes to how people are performing. Development of profitable and innovative investment opportunities often has their roots firmly associated with lower-level management (Guta, Monea, & Slusariuc, 2011).

At times, budgeting does not receive the attention that it deserves in many organizations. DeWaal, Hermkens and van de Ven (2011) found that changing the budget process is not a top priority for many organizations. The reason, they determined was due to lack of efficiency within an organization. They concluded that “apparently the organization is satisfied enough with the efficiency of the process, or it did not find alternatives that yield higher efficiency, so no change action is taken” (p. 321). However, Hornstein and Zhao (2012) countered that argument. They countered that efficiency depends on two factors that the firm has to fight for. The factors are the external environment for information and also the coordination of internal information sharing.

Budget collaboration can impact both internal and external users of financial information of an organization. Although internal and external users of financial information may consider different metrics of success, ultimately the achievement of the organization is of paramount concern to both parties. Lack of information sharing can lead to inefficient investment decisions within a firm (Hornstein & Zhao, 2011). Pertinent information can be achieved by providing significant material that users find valuable. Budget participation has the potential to increase meaningful information that can be developed by both internal and external users about improving business performance (Venkatesh & Blaskovich, 2012).

Involvement in the budget process promotes ownership. Ownership of the budget process has a direct impact on employee motivation. There are significant benefits to the organization that has employees that are involved with the budget process. A successful budget process depends on the involvement and partaking of the participants (Radu, 2011). Hornstein and Zhao (2011) agreed with this concept. They found that “interpersonal relationships have long been considered an important mechanism of information sharing” (p. 1141). Sharing information between subordinates and management is crucial for budget creation and by sharing information, subordinates have a sense of ownership within the company.

A significant benefit of participatory budgeting is that active involvement in the process aids in enhancing accountability and transparency (Krenjova & Raudla, 2013). Another important issue with respect to budget ownership is the steps that employees will take to in other aspects of the business. Product innovation and budget participation have a direct relationship, including areas such as research and development (Cheng, Chen, & Shih, 2014). They also

believed that managers can synchronize budget planning with product ideas and motivation in order to create substantial and innovative products.

There appears to be a direct relationship between the success of the organization and ownership of the budget document. In their study of the relationship between budget participation and information asymmetry, Lavarda and Almeida (2013) concluded that “the relationship between performance and participation in the budget were statistically significant” (p. 77). They found that if employees were consulted frequently during the preparation of the budget, the information derived from the budget document was more relevant to those who needed to use the information. They also realized that participatory budgeting is very important for control and planning purposes.

Budgets are used to set plans for an organization. Targets set by the budget are used to assess employees and in some cases achieving budgeted goals directly impacts employee compensation. Cheng, Chen, and Shih (2014) understood the alignment between budget targets and the benefits of budget ownership. They concluded that “participating employees have better success rates in achieving targets” (p. 134). The reason for achieving targets, they continued was that through participation the employees had a stake in the organization which reflected upon themselves.

Employees are actively involved each day when they come to work. Heller (2003) posed an interesting question “are people not already involved by the mere act of working” (p. 147)? To be professionally challenged, employees should be more involved in the day-to-day operations of a business. Interaction could include the development and process of budget preparation. By involvement in the budget process, employees have some position of ownership

and responsibility as well as management in the company. Operations managers that are involved in the process will have a better understanding of the implications towards budget preparation. Their understanding will improve not only for their own local operational budgets but also for the company as a consolidated entity as well (Zainuddin & Isa, 2011). This argument is a strong case for a collaborative approach since active participation will help to produce a better result. Additionally, employees who are involved in the process will have a much better understanding of the rationale behind targeted numbers and how the targets are arrived at. This could result in a better, more realistic budget document.

Participating in the formulation of a budget can make employees feel better and feel as though employees contribute to the organization. Schiff and Lewin (1970) noted that “in a participative environment it is possible to maximize organization effectiveness and individual satisfaction” (p. 260). Many people join an organization if there is a sense of inclusiveness. If the employee is comfortable and feels part of a team, inclusiveness could be the reason for joining an organization (Schiff & Lewin, 1970). Zainuddin and Isa (2011) agreed with this scenario with “the opportunity to participate in budget creation makes employees feel that they can influence the outcomes of a decision making process, based on what they perceived to be attainable” (p. 642). A collaborative approach can assist an employee to work better and smarter.

Employees usually seek to be involved in a process that will have a direct impact on their situation. Zainuddin and Isa (2011) understood and concluded that if operations manager think that they are able to have an impact on the budget process, they will actively participate in the budget process. If operations managers are not part of the process and there is no

communication, the attitude towards collaborative budget preparation improvements will decline rapidly. If meeting budgeted targets are included in an incentive package for employees, employees will normally want a say in how budgets are determined. Finally, Kyj and Parker (2008) noted that “when budget goals are used to evaluate subordinates, subordinates seek to participate in setting the budget and subordinates consider such participation as just and fair” (p. 429). In addition, Kyj and Parker concluded that there is a “significant relation between evaluative use of budget and budget participation” (p. 437). As employees continue to participate in the budget process, each employee’s own skillset will also improve (Orlando, 2009). The annual result will be that the budget process is improving and there will be strengthening of the employee over time. Tanase (2013) was in agreement with these assessments. Tanase believed that if more people are included in the preparation of the budget, it is likely that the accuracy and quality of the budget document will improve.

Influential people within an organization should consider if managers, at various levels, should be responsible for their own budgets as long as senior executives delegate some authority and relinquish budgetary decisions to the managers. Budgets can be considered a means for delegating authority (Hofstede, 1968). The conceptual framework from Lazenby (2013) also proposed this change in the approach to budgeting.

If responsibility to achieve budgeted goals is indeed delegated to lower level management, then it could be inferred that they should be tasked with budget preparation rather than someone at a corporate level preparing the budgets. Hofstede (1968) sustained this perception when he concluded that “the budget department is a staff department, supplying service to management, without formal authority over the line” (p. 35). This is an important

assertion to consider and research to determine if budgets should not be forced down from above. Instead, as this research study investigated, the development of the budget should be prepared with meaningful input from those working at the operational level of a company (Coulmas & Law, 2010).

There are many potential benefits to a collaborative approach to budgeting for an organization. Throughout literature, the research supports and explores the benefits of collaborative budgeting. Research from Heinle, et al (2014) found that collaboration improves the flow of information; Baiocchi, et al (2014) determined that inclusiveness equates to a successful organization and opens up the discussion to more diverse ideas; Gomez, et al (2013) found that collaborative budgeting is growing in popularity.

The benefits of a collaborative approach is important to employees. Increased participation in the budget process improves the flow of information between superiors and subordinates (Tanase, 2013). Cheng, Chen, and Shih (2014) concluded that “budgetary participation prompts subordinate managers to express their opinions and viewpoints and to interact with their supervisor” (p. 136). Inclusion is important for the budget process.

Not only is inclusion a factor that should be explored but communication is another factor that should be considered. Communication in the budget process is essential for the successful completion of the document (Chen, 2003). In addition to a more well-rounded and accurate document, there is greater efficiency of “a firm’s internal resource allocation” (p. 788) since employees will have greater focus on creating the budget document with accurate information, and spending less time on questioning how management determined the numbers that produced the final budget document.

Chong and Chong (2002) based their study on the research collected by Hofstede (1968). They noted, based on Hofstede's findings, that the "act of participation in the budgeting process serves as a function by inducing subordinates to accept and commit to their budget goals" (p. 66). In addition, Chong and Chong proposed that "budget participation exerts a budget goal commitment effect on the subordinates" (p. 79). This indicates that if subordinates are involved in the process, they will take ownership and commit to the numbers since they are truly invested in the final numbers that have been created and presented. Employees will understand what is required in order to achieve the numbers determined. If they are not included, they will not know how to achieve desired results.

As organizations have matured and developed many have tried various schemes to get employees involved (Heller, 2003). There have been many different characterizations to participation ideas to ensure employee involvement. However, regardless of the name of the concept, employees that are directly involved in the budget process will usually strive to provide better results. In addition, employees that are involved in the budget process will have a sense of belonging.

Employees are smart enough to understand if they are taken advantage of. Heller (2003) observed that employers cannot declare that they want active participation in budget process, there truly has to be participation in order for employees to have a sense of intention of becoming involved in the process. In order to be involved in the budget process, there has to be a commitment from all sides during budget preparation discussions. However, too often, there is not enough attention paid to the unmitigated budget process (Orlando, 2009). As budgets are prepared, equilibrium can swing between too much direction and too little direction provided by

management. Regardless, neither scenario will provide satisfaction to the employee, if employees are not included.

A collaborative approach to budgeting is something that is important and would benefit most employees. Employees perceive the budgeting process more positively when given the opportunity to participate in it (Radu, 2011). Lu (2011) understood this observation and acknowledged that “participation is one of the most enduring issues in the public sector” (p. 81). Although Lu (2003) referred to the public sector, the same assumption can be valid for the private sector (Wildavsky, 1975). Participating in the preparation of budgets, as well as other decisions, is important to managers at various levels (Hofstede, 2001). Lu (2011) continued with this important observation “participation supports the decision making because it improves the flow of information, especially from frontline employees to the management” (p. 81). Collaboration has both positive effects and positive repercussions.

A positive impact with collaboration for employees is that participatory budgeting is a platform for learning. Employee growth ought to be an issue that management should actively and faithfully promote. Baiocchi and Ganuza (2014) understood the concept of employee learning and concluded that “participatory budgeting becomes a good tool to promote greater accountability and gives voice to people” (p. 42). Their conclusion emphasizes the notion that if employees are able to address issues of concern, they will become more accountable and take ownership of the budget and in turn become an active participant in the organization.

Experience with budgeting is an important intangible asset that employees bring to a company. Well versed budget preparers should co-exist in order to formulate budgets that are not sub-par but rather prepare budgets that are meaningful which can be depended upon (Schick,

2012). Bonini, Hausman, and Bierman (1997) found that in many cases corporate level individuals, with perhaps limited scope and knowledge, prepare the budget. Instead, as implied by Bonini, et al (1997), there should be a collaborative approach to budgeting.

A collaboration between corporate and operational managers is likely the superior alternative and collaboration is important since there can be numerous segments related to budget preparation. In order to achieve the best possible budget, that is inclusive and accepted by all relevant parties, a collaborative approach seems to be a logical and superior alternative (Bonini, Hausman, & Bierman, 1997). However, more research is needed. The results of this study should assist in answering the questions posed by Bonini, et al.

The positive benefits of a collaborative approach to budgeting are numerous. Research studies have suggested that when lower-level managers participate in setting budget targets, they are more likely and more willing to accept the targets and are willing to make efforts to achieve the set targets (Radu, 2011). Venkatesh and Blaskovich (2012) were in agreement with the conclusion by Radu. They concluded that “budget participation is significantly and positively associated with higher levels of job performance” (p. 160).

Several studies have focused on the benefits of a collaborative approach to budgeting (Baiocchi & Ganuza, 2014; Cheng, et al, 2014; Elloy, 2012). A collaborative approach has direct impact on ownership, participation, and can lead to the production of innovative and creative products. However, the most important impact to contemplate when reflecting upon a collaborative approach to budgeting would be the impact on the employees. Nahartyo (2013) concluded that “theoretical models and empirical research in participation in decision making suggests that more participation is preferable to less” (p 88).

Employees should be included in the budget creation process. There is a direct relationship between employee motivation and the participation level of the budget creation (Kyj & Parker, 2008). The theoretical foundation by Lazenby (2013) indicated the same conclusion. In addition, employees are more directly attached to an organization and the goals of the organization if they are included. In theory, the goals of the entity also become the goals of the employee if they are included in the budget process (Tanase, 2013). This argument is supported by Radu (2011) who determined that there is a “higher degree of satisfaction among managers who were consulted in preparing their budgets than those who were not consulted” (p. 260). Radu’s conclusion is an important one to note since the impact to employees is a factor that should be considered when preparing the budgets.

Actively preparing a budget is an important task for both operational managers and executives. The act of creating the budget aids in coordinating various financial and employee activities within an organization (Wyatt, 2012). It has been established that budgets are extremely important for the success of an organization (Wildavsky, 1975). This understanding is reiterated in the studies conducted by Lazenby (2013) as well as Cyert and March (1992). However, how budgets are prepared is a significant event which could potentially contribute to either the success or the failure of an organization (Cyert & March, 1992).

Exchanging ideas is the cornerstone of the budget process. Those with direct experience with the day-to-day operations should be included in some of the decision making. Expressing their opinions on the creation of the budget will help to make the employees feel as part of the organizational team. Zainuddin and Isa (2011) determined that “participation involves the

chance for subordinates to express their opinions; there is a highly likely chance for subordinates to influence the budget” (p. 644).

Collaborative budgeting impacts the employee and employer relationship. Employee situations can range from one extreme to another. The optimal position is one that respects employee input. Heller (2003) provided a list of how employees consider their employment situation (p. 152):

1. I am not involved at all
2. I am informed about the matter beforehand
3. I can give my opinion
4. My opinion is taken into account
5. I can take part with equal weight
6. I decide on my own

The above testimonials can be directly impacted by the collaborative budgeting process. Employers have to take notice of these concerns and should be challenged to keep morale at a high level. Huang and Chen (2009) understood the importance of developing budget tactics. In their study, they noted that requests during budget meetings can be perceived as an attempt to manipulate budgeted results or targets. This is not always the case as Huang and Chen concluded. Rather than involving operations with the budget directly, questions are sometimes asked to gain information rather than understand the business. If operations are not continuously involved in the creation of the budget, the feeling of alienation and suspicion arises. Operations managers will not take ownership of the budget and perhaps not strive to meet intended goals set by management.

Employees could continue to feel better about them if they are included in the budget process. In addition, Milani (1975) noted that through surveys, if employees are included in the process, “employees will perform at higher levels in a participatory situation” (p. 275). Inclusion will not only benefit the company but also the employee’s well-being. Presence in the budget process will have a positive effect on many areas of the company which may not be able to be quantified. Participation in decision making provides a sense of meaning and belonging to the employee which will benefit all those concerned. Employees who contribute alongside corporate management tend to consider themselves as exercising some form of control over an organization towards a positive outcome. This feeling along with a collaborative approach to budgeting could result in employees feeling as part of a larger team (Zainuddin & Isa, 2011).

Employees would like to contribute to the overall process of an organization, and build relationships. In addition, they usually want to be included in the team mentality of an organization. Making a contribution to the organization is crucial to employees feeling of belonging to a team. Milani (1975) indicated that if an employee is included in the budget process, the employee’s attitude towards their job in general is likely to improve. Management has to be careful that employees who are involved in the collaborative process understand, or acknowledge, the objectives and purpose of the budget (Orlando, 2009). If there is a lack of understanding, frustration will likely begin to bubble up which could result in emotional exhaustion.

Employees do not want to be involved if no one is listening to their ideas. Management has to ensure that the right people are in the right place with respect to budget preparation (Orlando, 2009). In addition, employees want to participate in the budget process because it

provides subordinates the chance to interact, communicate, and build a professional relationship with their superiors (Lopes, Lagoa, & Calapez, 2014).

In order to feel part of a team in an organization, employee participation in the budget process will also help to produce a successful document. The theoretical concept proposed by Lazenby (2013) supports this argument. In particular, Theory Y proposed by Lazenby is an outcome of the belief that employee participation matters. If employees, at different levels in the organization, are encouraged to participate in the budget process, their contribution will be acknowledged and employees could feel better about themselves, and the process (Milani, 1975). Without proper leadership and communication, the budget process is likely to be broken (Orlando, 2009).

Communication and participation are linked. While no communication pattern is most ideal, the act of communicating between manager and subordinate is important in the organization. Beyond that, there should be a relationship in the organization to achieve success. Radu (2011) concluded that “participation can only work if communication is based on social relationships and develops freely and spontaneously from interdependencies, common beliefs and values, and reciprocity” (p. 663). This is an indication that all those in the organization should work together, regardless of the project involved.

If employees are involved, their dedication and commitment to an organization could also increase. Milani (1975) noted that “successful program of participation can result in greater expenditure to reach goals specified in the budget” (p. 275). If employees are included in the budget process, they will take ownership of the budget and are more likely to strive to meet challenges that have been provided. If they are not included in the process, they may not take

ownership and likely not meet targets provided by upper management. Performance indicators are more meaningful if there is participation from all key stakeholders (Lu 2011). Discussions should be forthright and be held frequently in order to achieve the required goals of management.

Employees should be encouraged to take part in important decisions. Heller (2003) considered several steps to include active participation (p. 156):

- It must be possible for all concerned to participate.
- This is not enough. Everybody should also be active.
- Everybody has an obligation not only to put forward his or her own ideas but also to help others to contribute theirs.
- Each participant must accept that other participants can have better arguments.
- The dialogue must continuously produce agreements that can provide platforms for practical action.

These steps help to contribute to a well-rounded budget discussion. In addition, there could be improved final operating results. Schiff and Lewin (1970) were in agreement with the steps outlined by Heller. They proposed a task force for organizations who report directly to the president of the company. This task force, which is made up of various levels of management, will participate directly and to an extent control the budget preparation process through active participation. In addition, budget participation is, according to Lu (2011) “an important human dimension in implementing managing for results” (p. 84). Lu also concluded that participation does matter.

Employees are happiest when their opinions are heard and their ideas are taken into consideration. Adler and Reid (2008) determined that there is a direct relationship between

satisfaction and participation when they observed that “the highest job satisfaction and performance occurred when the budgeting process included participation and the superior displayed a considerate leadership style” (p. 24). Mutual respect is evident in these scenarios as well. In addition, this theory can be taken somewhat further and we can infer that a collaborative approach can improve the budget document, perhaps even operating results.

If subordinates are included in the budget process as active participants, they will take ownership in the budgets that they assist in preparing. If not, they will not take ownership and results could falter. This theory is in direct relation to Hofstede’s (1968) idea that participation leads to satisfaction. Orlando (2009) noted three distinct areas that are critical to the success of a budget process, they are: “people, process, and tools” (p. 47). Without these three important factors, and a collaborative approach to the preparation of a budget document, it is likely that the budget process will fail and the document that is prepared will not be reflective of the required outcome that is expected. Chong and Chong (2002) understood that “the act of participation in the budgeting process serves as a function by including subordinates to accept and commit to their budget goals” (p. 66).

If there is effective leadership and someone who understands that the business is in charge of the budget process, the likelihood of success will grow. During the budget process, participants should be encouraged to interact and offer ideas that are not simply dismissed without consideration and debate (Lazenby, 2013). Constructive comments and feedback should be required, encouraged, and respected as the budget debate continues (Rios & Insua, 2002). Employees want to feel part of a team. Brown and Cregan (2008) made this observation when they noted that employees “want to be active participants in their employing organizations” (p.

668). This is true for most aspects of an organization and is especially true when it comes to budget preparation. Employees want to be engaged and have their opinions heard. If they contribute, there is a greater chance for overall success in the organization.

This literature review was conducted to align with the theoretical foundation established by Lazenby (2013). Lazenby proposed two opposing theories. Theory X, Lazenby proposed, was an autocratic, non-participative, and traditional method of budgeting that met with minimal success. In contrast, Theory Y, Lazenby proposed was more open and inclusive. The literature surrounding these theoretical ideas has been in many cases supportive of Lazenby's models.

Heller (2003) noted that most research "concentrates on individual employee participation at a particular location" (p. 145). That observation does not always take into account other factors that are important to collaborative approach to budgeting. In addition, many studies have focused that budget participation will influence employee motivation and job satisfaction (Kyj & Parker, 2008). Kyj and Parker also noted that "additional research on why budget participation exists in the first place" (p. 423).

Coulmas and Law (2010) sought to close the gap in the literature. The focus of Coulmas and Law's study considered the budget process, the frustrations involved in the budget process, and how well management encouraged communication in order to produce the required and desired documents. Moreover, strategies can be developed as well as a final budget document that is reflective of current events. In addition, Coulmas and Law noted that other areas of future study include how a participatory budget can be enforced, improvements to communication with an organization, and would the structure of an organization be able to handle a decentralized, collaborative approach to budgeting.

Orlando (2009) offered a concise method of working through budgets:

1. Evaluate your process.
2. Upgrade your technology.
3. Communicate.
4. Communicate some more.
5. Train and educate.
6. Collaborate.
7. Follow through.

Orlando's (2009) main point was "be inclusive and collaborate" (p. 51). This checklist, along with the other items mentioned above will likely result in a successful collaborative budget process. The points that Orlando references are in relation to the research questions posed for this study.

Finally, Shields and Shields (1998) realized that additional research is required on participative or collaborative budgeting. They acknowledged that "accounting literature typically adopts the notion that its purpose is either to increase subordinate motivation or attitude" (p. 66). This research study intends to expand upon this identified gap by considering the budget process.

### **Summary and Conclusions**

The process of annual budgeting is an integral part of business. Approaches to current budget preparation are characterized by a high degree of diversity. Many companies rely on models that are created internally without input from operations. Because of older models, the people, process, and tools of budget preparation have not matured and developed into a

collaborative approach and do not take various points of view into account. Some organizations have attempted various methods to get employees involved however effective leadership within those organizations has to be strong in order to make straightforward requests. The lines of communication need to be open and feedback should be appreciated.

The research developed by Hofstede (1968, 2001) was referenced by several of the contributors to the literature review. Huang and Chen (2009) built upon Hofstede's theory of budget participation and agreed that additional experience of those preparing the budget will improve the process. Huang and Chen also confirmed that the experience of those preparing the budget is an important factor to determine how the budget system will function. Shields and Shields (2008) used Hofstede's (2001) theory of cultural dimensions as the basis for their study. They acknowledged Hofstede as one of the forerunners in participative budgeting empirical research and they concluded that participation increases subordinate motivation and attitude. Brownell and McInnis (1986) made a similar conclusion in their study as they also referenced and based their study on Hofstede (1968). Finally, the case study by Liu and Chang (2011) noted Wildavsky (1975) and concluded that decision makers may not have all the relevant information to make a decision. Decision makers require additional input, from subordinates, to make solid decisions.

Employees are active participants in an organization. In addition, most operational employees understand the nuances of business and what it takes to be successful. To optimize an organizations results the optimal position of an organization should be one that not only respects employee input but strives to receive employee input. Developing a collaborative approach to budgeting that actively seeks employee input is fundamental for an organization to

thrive. Openness and inclusiveness will help to improve the process and perhaps financial results.

Budgeting will continue for most business operations. In order to make the budget process, new methods of the approach to budgeting should be considered. A collaborative approach is a method that does not have much research to support. However, participation within an organization is something that has proven successful. There are benefits to participation. Participation leads to ownership of the financial information which will benefit most parties in an organization. Using straightforward tactics when budgeting and including all senior members of an organization will provide positive results.

Chapter 1 introduced the study of collaborative budgeting, describing the problem that is to be addressed with the conceptual and theoretical framework for this research. Chapter 2 illustrated the literature review concerning collaborative budgeting. Chapter 3 builds on the literature of collaborative budgeting using qualitative research design. This study is designed to determine if a collaborative approach to budgeting will improve operating results.

### Chapter 3: Research Method

The problem addressed in this study was whether a collaborative approach to budgeting will affect the GAAP of relevance and reliability of the budget process. To support the primary problem under study in this research, the uncertainty surrounding the potential benefits of a collaborative framework to budgeting were considered during the interview process. The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, the results of this study could affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments.

Chapter 3 will begin with an overview of the research design and selection criteria used in this dissertation. The research objective was to determine how this dissertation should be structured and the methodology engaged to assess the data gathered to analyze the benefits of a collaborative approach to budgeting. In addition, the goal of this chapter was to provide an understanding of the research methodology that was used to collect, interpret, and analyze the data.

#### **Research Design and Rationale**

The purpose of this qualitative, intrinsic case study was to synthesize the implications of a collaborative approach to budgeting and to explore conceivable improvements to the budget process that could be achieved through a collaborative approach. This research study addressed the gaps discovered in the literature review undertaken in Chapter 2. A noticeable gap in the

literature that was addressed is the need to focus on the improving the budgeting process. The goal of this research study addressed that issue. The focus of this research study was to determine how, and if, a collaborative approach would improve the relevance and reliability of the budget process. If the budget process is improved, financial results of an organization may also improve. The selection of case study for this research was employed in an attempt to investigate the relationship between new and unexplored dependencies. The dependency in this research study considered how the relationship between a collaborative approach to budgeting and improvements to the budget process will provide a better budget document. The data analyzed for this dissertation came from interviews conducted with business professionals. The questions for the interview were augmented based on Hofstede's (1968) survey results regarding the future of budgets and during the budget research examination for the study.

The main objective of this research study was to consider various ways to improve the budgeting process and consider the impact of improving the process within an organization. It could be inferred that if the budget process is improved, one of the consequential advantages of the process improvement could be the overall success of an organization. In addition, exploring the relationship between a collaborative approach to budgeting and how budget-to-actual results compare was assessed. Team members within an organization, working well together, could propel a firm to a higher level of success (Cyert & March, 1992). This concerted success could potentially be achieved through budget collaboration. Additionally, if experienced, well-trained people are included in the process, increased personal responsibility and awareness should be expected (Hofstede, 1968). In particular, the focus of this research study considered if there is a

collaborative approach to budgeting, will working together in cooperation improve the budget process?

A potential issue confronting management could be whether to decide if employees should be actively engaged in the budget process or if employees should not be included in the budget process. This observation led to several specific research questions. Yin (2014) indicated that the most appropriate case study research questions are explanatory which usually consider “how” or “why” questions. Therefore, the larger, overarching research question relating to this research study is: how an organization would be impacted if a collaborative approach to budgeting were utilized? To explore the idea of improving the budget process, the problem statement, purpose, and objectives for the study, the following specific questions related to this research study were considered:

Q1. Why would an organization make a change or a concentrated effort to change the budget process and allow for a more collaborative approach versus a non-collaborative approach?

Q2. How would the budget process be impacted if a collaborative approach were to be employed versus a non-collaborative approach with the budget process?

Q3. What method of budgeting could positively impact both internal and external users of financial information?

Q4. How could an organization realize potential benefits for operational managers if they are allowed take ownership of financial information through inclusion in the budgetary process?

Q5. What are the real or potential impacts on a firm’s financial results derived from the use of a collaborative budgetary approach as compared to a non-collaborative approach?

Q6. How could an organization improve the budget process in order to reduce or eliminate any potential frustration from an employee perspective?

The problem that arises for some organizations, with respect to budgeting, relates to how the budget document is actually prepared. The focus of this research study was not on the mathematical mechanics, nor on the actual construction of the budget. Instead, this research study focused on the potential interaction of contributors to the budget document that improved the budget process. In many cases, budgets are a top-down occurrence with little to no interaction among participants. The individuals who are impacted the most by the budget process may not be directly involved in the budget process and therefore are not included in determining the final financial plan. Instead of a collaborative approach, budgets are sometimes created at a corporate or at a headquarters level and forced to the field-level operations without operational input. If operational experts are not actively participating in discussions of budget preparation, there could theoretically be negative outcomes and ownership, or accountability, of the actual budget will potentially suffer. Additional problems with budgeting also include the overall lack of communication within an organization. Without sufficient communication, the budget process could suffer and the budget itself may not be accurate.

In this research study, I analyzed the benefits of a collaborative approach to budgeting and how the budget process can be improved. The research design for this study was a qualitative approach. In a qualitative research study, researchers collect the majority of the knowledge from many different sources including surveys, interviews, observations, and by reviewing existing archival data (Denzin & Lincoln, 2013). The researcher then records the evidence in the form of transcripts and notes. Yu, Abdullah, and Saat (2014) observed that

information gathered from a qualitative study could help clarify the meaning and the overall personal experience; this could include the notion of participation within budget preparation. In addition, considering long-term implications of a relationship between collaborative approach to budgeting and the impact on budget preparation should be considered. The relationship is important when selecting the appropriate qualitative research method. In this section, I included a comparison of various qualitative methods in order to indicate the most appropriate method for my study. Some approaches can be eliminated as potential research strategies specific to this research study.

My research proposal was intended to examine how collaborative theory relates to budget development, preparation, and the budget process. To contrast alternative research methodologies, the focus of a qualitative study is to consider an individual's reaction to a position (Creswell, 2009). In order to choose the most appropriate qualitative research method for this research study, I compared and contrasted various qualitative research methods. There are several qualitative methods that can be discussed, critiqued, and in-turn eliminated in order to determine the most appropriate research method that is appropriate for my study.

Qualitative research presents a complex set of issues and then from the researcher's analysis, the scholar attempts to formulate conclusions based on inferences from analyzing the data (Patton, 2002). Stake (2010) indicated that "the purpose of qualitative research is usually not to reach general social science understanding but understandings about a particular situation" (p. 65). This research study will examine the effects and positive implications of collaborative budgeting and the impact on the budget process.

In this research project, the researcher was directly involved in gathering information through an interview process. Research heightens the quest for knowledge and understanding (Shields & Rangarjan, 2013). Qualitative studies are tools used in understanding the nuances and describing how participants deal with the experiences, processes, and practices that are in place (Koch, Niesz, & McCathy, 2014). Information gathered and analyzed from a qualitative research study can provide support, from the social perspective, for an issue or proposal including ideas from the viewpoint of the participants potentially impacted by the hypothesis to be analyzed (Moustakas, 1994). In this study, the relationship between collaborative budgeting and the positive or negative impact on financial results as well as the overall budget process was analyzed. In order for a qualitative study to be successful, the goal of the study must remain in the forefront of the analysis. The goal of this study was to consider how a collaborative approach to budgeting could improve the dynamics within an organization by improving the budget process.

For the research questions contemplated in this study, one specific qualitative research method that can be eliminated is ethnography. The focus of this research study would not concentrate on describing the creation of the budget. Ethnography places emphasis on description (Jerolmack & Khan, 2014). In particular, ethnography focuses on policies and procedures and whether they are followed and adhered to, rather than on feelings of an individual. Jerolmack and Khan (2014) concluded that ethnography allows the discovery of unanticipated aspects of policy processes. In addition, ethnography can be used for an investigation of how policies are actually implemented by detecting deviations from how they

were intended to be implemented. The results of the investigation could be significant for policy outcomes.

Ethnography, as Creswell (2009) indicates, “is a strategy of inquiry in which the researcher studies and intact cultural group in a natural setting over a prolonged period of time” (p. 13). This type of research, examining the cultural experience, does not need to be considered in relation to budgets since ethnography generally considers behaviors in a group and how they reflect a culture. There are no cultural barriers to establishing company budgets. Inclusive or exclusive budgets do not reflect cultural environments of individual employers. Ethnography may also consider the culture of a business organization (Jerolmack & Khan, 2014). Corporate culture could play a factor in collaborative budgeting but individual traditions would not. Management style is important when considering the approach to budgeting, however my focus is not to consider participants feelings towards collaborative budgeting. Ethnography, as a research method can, at times, be geared towards a specific small group, rather than a larger, more diverse group (Sydnor & Fagen, 2012). Jerolmack and Khan (2014) believed that ethnography can lack sufficient process of providing specific answers to why a larger group of people do what they do. This is an indication that ethnography tends to be very specific, rather than somewhat general. Budget inclusiveness can be applied to many different organizations or groups rather than to a specific industry or organization. Ethnography, as Jerolmack and Khan determined included exploring the cultural and personal reasons for specific choices an individual could make. Therefore, ethnography was not a viable research method for this research study.

A qualitative method that could be considered is grounded theory. Grounded theory is a qualitative research method to be applied in order to gain an appreciation of data perceived in relationship to human behavior (Charmaz, 2014). Grounded theory has continued to gain acceptance in the information systems community but has been reluctantly accepted in the accounting community (Sutton, Reinking, & Arnold, 2011). However, the problem under study in this research combined accounting issues, in the form of budget preparation, with qualitative issues of employee inclusion. In addition, this research study did not offer a new theory relating to budget preparation but simply attempt to determine the real benefits of improving the budget process through a collaborative approach which is obvious but at least testable. Therefore, the best alternative for my research to study the consequential improvements to the budget process and the impact on an organization would not be a grounded theory approach.

In contrast to ethnography and grounded theory, and in order to effectively explore a relationship between a collaborative approach to budgeting and the impact on the financial statements, case study seemed an appropriate method in order to examine the proposed research questions. Case study is often used to address a descriptive or explanatory question (Yin, 2014). Case studies often focus on one industry or organization. However, case studies can also be used for investigating dynamic, empirical, and complex processes (Vissak, 2010). In addition, case study frequently relates to a process or procedure rather than the action or feeling of participants. Yin noted that “a case study tries to illuminate a decision or set of decisions; why they were taken, how they were implemented, and with what result” (p. 22). For my research study, I examined the methodology of the budget process and examined the impact of a collaborative approach. My area of concern is budget preparation, regardless of industry. Yin also indicated

that a case study approach should be foremost considered when the emphasis of the study is to contemplate “how” and “why” questions. My research questions are reflective of this reflection.

Collaborative budgeting is a significant topic because of the number of people that are both directly and indirectly affected. Investors, external users, and internal users of financial information rely on budgets to make decisions. There are several significant issues surrounding the topic of collaborative budgeting. First, accurate budgeting and then achieving forecasted results is a significant measure to ensure reliability and credibility of operational efficiencies. Rubin (1988) perceived the importance of budgets and how they can aid a business. Rubin observed that intelligent, up-front choices, such as a collaborative approach to budgeting, appear to be a stronger alternative for a successful budget implementation. Second, collaborative budgeting is significant because of the direct impact on social change as the accuracy of budgets can have an impact on individual investments rate of return. Many private investors own stocks either directly or indirectly through mutual or retirement funds who depend on stable stock prices for retirement purposes. Finally, employee morale is also a significant issue to explore. Additional involvement in the budget process will likely have a positive impact on the employee and employer relationship.

The significance of this research study is evident as inclusive budgeting can also provide a sense of teamwork within an organization. Bonini, Hausman, and Bierman (1997) determined that there should be a collaborative approach to budgeting, since there are many integrated components related to budget preparation. The significance of this study is further enhanced as collaborative budgets can instill a sense of ownership and responsibility in order for managers to achieve targets. Finally, this study is significant because I will examine the notion if operations

are actively involved in the budget creation, whether the likelihood of success could impact financial results.

### **Role of the Researcher**

One of the sources can be the researcher's personal experience in order to gain insight into the phenomenon of the issue. Those who employ qualitative research can, according to Yu, Abdullah, and Saat (2014), utilize various data sources to support the research. I incorporated my own personal experience of budget preparation and reference feelings that I had when preparing and presenting the completed budget to management and peers. With over 20 years of accounting proficiency, my own experience helped to analyze the results of data. In addition, obtaining experimental descriptions from others via interviews and reviewing descriptions in literature were also utilized to further the research. These methods are legitimate means of helping to understanding the research questions presented, how participants respond to questions, and to synthesize results of the findings.

In a qualitative research method, the researcher is an active member of examination (Myers, 2013). Personal experiences can be taken into account and expanded upon. Moustakas (1994) realized that to be successful, qualitative research can investigate "particular feelings, thoughts, and sensual awareness are evoked in consciousness with reference to a specific experience" (p. 22). However, Moustakas also indicated that prejudgments should be set aside to avoid a biased or a skewed result. My experience in the field of budgeting has to be set aside but can be referenced since I understand how the process operates. In order for me to fully understand and empathize with participants, I have to understand any potential issues that may arise. With respect to the research that I undertook, I understand the nuances and complexities of

budgeting. I have been involved in budgeting processes when there has been a collaborative approach and when there has not been a collaborative approach. Moreover, the experience of preparing a budget is unique and understanding how a participant is connected to the experience was an important factor in this research study.

### **Methodology**

Researchers utilize case study methodology in order to understand a real-life problem in more detail and when the boundaries between the context of the study and the phenomenon under investigation are unclear (Yin, 2014). In addition, Ruzzene (2011) believed that case studies represent a qualitative methodology that is appropriate to creating managerially relevant knowledge. The knowledge that was examined in this research study is to scrutinize the benefits of a collaborative approach to budgeting and the impacts to the process of budgeting.

In addition, following Hofstede's (1968) Theory of Cultural Dimensions, with specific focus on power distance, exploring the issues that surround budget process improvement, case study appears to be an appropriate alternative. Case study research methodology is a useful method since it allows for expanding and generalizing theories by merging existing knowledge with practical insights (Yin, 2014). Finally, with the gaps identified in Chapter 2, a case study approach seems to be the superior research method. The relationship between budget preparation and a collaborative approach to budgeting is something that I consider important for the success of an organization, since it appears from the gap in the literature that the relationship between a collaborative approach and improvements to the budget process is not fully understood. There is the potential for improved processes which could help an organization to be more successful.

An intrinsic case study was the best alternative to support the proposed research questions. Stake (2010) indicated that the selection of an intrinsic case study should be considered in order to explore a topic that is driven by the desire to know more about the uniqueness of a case, rather than to build theory. I desired to understand more about a collaborative budgeting process and wanted to share the knowledge to improve the budgeting process. I interviewed a group of similar professionals who are experiencing the same issue. Although the industries may vary, the issues regarding problems with budgets are similar.

Budgeting is an ongoing, therefore contemporary issue that should be further explored. Case study methodology can be used to “investigate a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and the context are not clearly evident” (Yin, 2014, p. 13). Therefore, case study was an appropriate research methodology that was employed for this research in order to understand and compare the potential benefits of collaborative budgeting and the impact to the process.

### **Participant Selection Logic**

The participants had experience and knowledge of the budget process within their organization and also understood the mechanics of budgeting. The participants were somewhat limited in this research study because they also had to have appropriate exposure to financial information within their organization, especially understanding and comparing budget to actual variances. The group of participants, in the metro Houston area, represented a wide cross-section of industry. The participants were selected from the oil and gas, manufacturing, and service industries. Within similar industries, the budgeting process is often comparable. Block (2005) noted that “just as industry characteristics often affect the financing patterns of firms they

also affect the asset deployment decisions” (p. 65). Equivalent industry processes are applied to budgeting. De Waal, Hermkens, and van de Ven (2011) also noted that organizations rarely change or adjust budget practices.

The number of participants selected offered a comprehensive representation from various industries. It was important for the outcome of this study to achieve representation from an extensive cross-section of various industries. In order to achieve a well-rounded selection more industries that are selected could produce more significant results. The selection of 20 participants was a fair exemplification to understand budgeting norms and to make recommendations towards my research.

The participants were selected from the Metro-Houston area. Houston has a diverse number of businesses to select from. The number of potential participants in the Metro-Houston area was very large. Given the scope of this research, selecting a sample from each type of industry was sufficient to gather and analyze results. As provided by US Census (2007), figure 4 indicates the number of medium to large businesses (between 100 to 999 employees) and the number of related industries in the Metro-Houston area. Since similar businesses prepare budgets in a similar way (Block, 2005; Lam, Chueng, & Tang, 2012), the selected sample appears reasonable. I included participants representing the following industries: oil and gas, manufacturing (overhead cranes), restaurant, waste management, automotive retail, office cleaning, grocery store chain, security services, packaging, and architectural services.

Table 1	
<i>Number of establishments and related industry in Metro-Houston</i>	
<u>Industry code description</u>	<u>Number of establishments</u>
Mining, Oil & Gas related	81
Construction & Manufacturing	637
Admin, support, waste mgt, remediation services	351
Health care and social assistance	343
Accommodation & food services	225
Educational services	45
Retail & Wholesale Trade	733
Professional, scientific & technical services	276
Other services	769
Total	3460
Table 1	

For this research study, participants not only had experience with budgeting but also had to agree to potentially lengthy interviews. The relevant experience that the participants had was that they should be familiar with budgeting and be familiar with the budgeting process within the organization which they work. All the participants had at least one-to-two years' experience with their current employer. That level of knowledge was required and considered appropriate so that the participant would have experienced with at least one budget cycle within the organization and could compare alternative budgeting methods. The participants also had direct budget involvement. The relevant experience was from either a corporate or operations

perspective. Sawhney (2013) believed that participants in studies should have similar backgrounds and experiences in order for there to be some consistency in the responses.

Moustakas (1994) indicated that for a research study to be successful, the participants should also be willing to have their experience documented and be willing to have their experience shared in order to improve upon a process. In order to be successful, participants agreed to a possibly extensive discussion with the probability of follow-up questions.

Data collection only included interviews with participants. Notes taken during the interviews were transcribed in order to assess and compile the data. Interviews were conducted with various operational and finance personnel from a variety of companies. Individuals approached to be interviewed had experience with budgeting and had either participated or contributed to the budget process. It was important that the participants of the study have exposure to budget preparation in order to bring forth their experiences. The researcher, as well as the participant, had familiarization with the concept and at times were immersed in the general concepts of the theory (Bevan, 2014). To assist with the final conclusion, the descriptive task is an analysis of what is already sedimented and taken for granted by the participants. The difficulty with the interview process is that a theory can have multiple ways of appearing. This can provide it with an identity (Bevan, 2014).

Since the research study was conducted in the Houston, Texas area, the majority of the participants interviewed had some exposure or experience in the oil and gas industry. However, my research study was not limited to the oil and gas industry but instead encompassed the budget process, regardless of the industry. The selection process of participants for this, or almost any study, set the tone of the study. Incorrect selection of participants would have directly impacted

the study (Sawhney, 2013). By following the guidelines outlined, I believe that the participants met the criteria suggested and positively affected the conclusion of this research study.

Experience in budgeting was important for the success of this research. In this research study, the questions asked about budgeting were developed because of my interest in the issue of budgeting and to determine if the budgeting process could be improved. As Moustakas (1994) indicated, “personal history brings the core of the problem into focus” (p.104). The issue that I perceived was if a participative budget process will impact employees and would also impact the relationship of the budgeting process. I believe that my understanding and extensive experience of the budget process helped with the interview progression.

In order to ensure reliability and validity, the design and execution of interviews had a significant role in this qualitative research study. Interviews for this research study were necessary to gather data on how participants felt about a particular phenomenon. Conducting interviews is a combination of science and art. Much of the challenge is for the interviewer to guide the interview properly, and to react if unexpected topics arise, as questions are asked. However, data that is obtained during the interview process can be more robust than through other techniques (Seidman, 2013). The data gathered during the interview process has to be preserved efficiently.

The 20 participants in the study were interviewed because of their expertise and experience with the phenomenon under investigation. A concern regarding interviews is that this method of conducting research includes interaction with unknown individuals. With this issue in mind, conducting interviews could have been challenging. Savin-Baden and Major (2013) determined that to overcome these challenges, the researchers passion for the topic under

investigation can play a significant role when interviews are conducted. Interviews can be very fluid. In order to be successful with the interview, flexibility was taken into consideration which improved the overall quality of the data gathered. Interviewing is an experience in human relationship building.

The interview protocol included questions that were aimed to discover the participant's perspectives on collaborative budgeting. Creswell (2007) indicated the critical nature of drafting a robust interview protocol before preparing questions for the participants. The interview decorum reflected the primary questions that were asked. In order to be consistent with all participants, I only included questions that were prepared in advance. The prepared questions included those aimed to unearth the participant's perspectives regarding how budgets are prepared. Collaboration was not presented as a solution to budgeting but rather as a proposal that should be analyzed critically. Any follow up questions or potential deviations during the interview process were documented. Individuals who agreed to participate were asked to sign a confidentiality agreement prior to the interview.

### **Instrumentation**

The most important and critical instrument used to gather data in this research study was the oral questionnaire. Questions raised during the interview process should result in dynamic responses with the participants being attentive, reasonable, and responsible (Perry, 2013). I used a questionnaire to conduct individual interviews with various managers and operational managers (see Appendix A). I designed this instrument based on selected interview questions developed and posed from Hofstede (1968) for budget related preparation issues.

Hofstede (1968) developed many appropriate questions for the research study that was conducted regarding budgets preparation and improvements to the budget process. The questions that I selected to conduct interviews for this research study are directly from Hofstede's questionnaires. Hofstede had a variety of sections to the interview questions that were posed to the participants. The questionnaire Hofstede developed covered a wide spectrum of budget preparation. I selected several questions that were used in the study presented. In order for the interview to flow smoothly, I separated the questions into three distinct sections in order to determine the most appropriate budget process. In addition to Hofstede, the questions posed to the participants were also inspired by the budget study prepared by Parkinson and Chew (2014).

The first group of questions that were posed to the participants were used in order to consider background issues at the various organizations that were used for this research study. The next group of questions were asked to ascertain a better understanding of the current budget process within the organizations that was used for this research study. Finally, the last section of questions considered process improvement within the organization and assessed and determined if changes in the process could be made to improve the process. The questionnaire used consisted of open ended questions to gain the participants experience and expertise and the feelings of the participants towards process improvement.

In addition to the questions based on Hofstede's 1968 study, the questions used are reflective of Seidman (2013) for conducting effective qualitative research interviews. The interviews were semi-structured, with open-ended questions. Ultimately though, the interviews were guided by questions that I had prepared and developed from Hofstede's budget study.

The data was gathered through interviews. Interviews are a prominent method of qualitative research study (Moustakas, 1994). In addition, interviews were used extensively by Hofstede (1968) during his research on various aspects of budgeting. Seidman (2013) also noted the importance of interviewing participants to gather relevant information. A fundamental advantage of a face-to-face interview is that the researcher can interpret the interview questions from his or her subject and follow up with relevant questions to the participant (Seidman, 2013). During the interview process, I asked follow-up questions, if needed, in order to explore and find further meaning and to understand the feelings of the participant during the budget process.

I chose to conduct interviews for this case study because the interviews provided an insight as to how individuals are living the budget experience (Hofstede, 1968). Perry (2013) indicated that in order to understand a lived experience, there should be an understanding of human experiences. In addition, there should be an understanding of possible judgments and decisions. The participants for this research study reflected on past lived experiences in order to describe their feelings about how the approach to budgeting made them feel and what improvements could be made in the process. If the participant has not fully experienced the situation that is in question, his or her perceptions may not be fully materialized.

### **Procedures for Recruitment, Participation, and Data Collection**

The purpose of this qualitative case study considered the impact of collaborative budgeting on the budget process. The focus of this study considered the relationship between a collaborative approach to budgeting and how a collaborative approach will affect the GAAP of relevance and reliability of the budget process. Highlighted in their book on how a firm is organized, Cyert and March (1992) considered various ways to improve the operating results and

the overall success of an organization. One of their determinations was that people within an organization, working well together, could propel the firm to a higher level of success.

Propelling the firm higher could be achieved through budget collaboration. Additionally, Hofstede (1968) noted that personal responsibility should be expected. Consequently, as Hofstede concluded, collaboration in the budgeting process does impact an organization and can provide satisfactory results. Therefore, the purpose of this research study was to synthesize the implications of a collaborative approach to budgeting and to explore conceivable improvements to the budget process. In addition, there was an exploration of the aspects of collaborative budgeting and the budget process, as there appears to be a gap in the literature surrounding this topic. As indicated in Chapter 2, much of the literature focuses on budget results rather than the process before budget preparation. My research study bridged the gap between the positive attributes of collaborative budgets and how the budgeting process could improve if a collaborative approach is taken.

This qualitative research study included 20 participants. The guidelines for determining the appropriate number of participants for a research study are somewhat ambiguous. There is conflicting guidance regarding the appropriate sample size for qualitative studies (Mason, 2010). After conducting research on appropriate qualitative sample sizes, Mason concluded that “the experience of most qualitative researchers is that in interview studies little that is new comes out of transcripts after you have interviewed 20 or so people” (p. 4). Twenty participants for this case study seemed reasonable as the individuals selected represented a significant cross-section of Houston businesses. Justification of a sample size for qualitative research can be somewhat

subjective (Mason, 2010). However the following sources rationalize the justification for selecting 20 participants.

Various studies suggest a range for the most appropriate number of participants. Mason (2010) believed that “the most common sample sizes were 20 and 30” (p. 13). Marshall, Cardon, Poddar, and Fontenot (2013) were in agreement with this sample size standard. They found many in research studies conducted, the conclusion of those studies found that an appropriate sample size to be between 20 and 30 participants. Based on this information, it appeared that 20 participants was sufficient for my study.

In addition, for some studies, including the study that I proposed, who is included as a participant in the research is as important, if not more important, than the number of participants to be selected (O’Reilly & Parker, 2012). For this study, interviewing 20 participants, with appropriate budgetary and decision making experience was sufficient to gather data on budget processes and how budgets could be improved. Budget experience was a critical factor in determining the number of participants since their experience was required when interviews were conducted. Since many companies create their budgets somewhat the same, the participants offered their feedback on improvements to the process improvement. Therefore, 20 participants provided an appropriate cross-section of responses to my proposed questionnaire.

Finally, determining the appropriate sample size can be difficult and hard to quantify. Ando, Cousins, and Young (2014) presented the concept of “theoretical sampling” (p. 1) when determining an appropriate sample size. From their research, they concluded that if the sample and study was concentrated around a homogeneous group of participants, they determined that data saturation occurs by the twelfth interview. In some cases, as few as six interviews needed to

be conducted to achieve saturation. Lasch, Vigneux, Abetz, and Crawford (2010) noted that “saturation is not a frequency count” (p. 1094). Since my participants had similar experience with budgeting, and understood the process, 20 participants with relevant experience was sufficient to conduct interviews and provided data for this intrinsic case study.

### **Data Analysis Plan**

A qualitative approach was used for this research analysis. As such, the data was analyzed qualitatively rather than quantitatively. From the information that was gathered during the interview process, I made conclusions and recommendations from the responses gathered. While the interviews were conducted, notes were taken and the interviews were recorded to ensure all responses were gathered accurately as long as the participants agreed. If not, the interview still occurred without recording.

Once interviews had been conducted and documented, the next step was to analyze the results and the responses to the questions posed to the participants. Some follow up with participants was required for clarification or for follow up questions. From the responses gathered my next step was to analyze the responses to look for and to compare similar reactions from the participants. I also looked for commonalities with responses to make a conclusion or determination from the questions posed to the participants. In addition, I looked for any trends in the responses and determine what recommendations the participants suggested to improve the budget process.

Sinkovics and Alfoldi (2012) indicated that the four components of trustworthiness in a qualitative study include: credibility, transferability, dependability, and confirmability. In order to support trustworthiness in the research study, I followed appropriate procedures and

techniques. Lasch, Vigneux, Abetz, and Crawford (2010) found that “rigorous use of procedures will support the validity of the conceptual framework developed and the items that are formed from it” (p. 1094). In this case study, I incorporated specific strategies to improve the trustworthiness of my research. These constructs and the strategies that I am undertaking are explained below.

### **Issues of Trustworthiness**

#### **Credibility**

Credibility can be determined by how congruent the findings relate to reality as well as how believable are the findings of the study (Houghton, Casey, Shaw, & Murphy, 2013). In addition, credibility refers to the plausibility of the research findings (Tracy, 2010). In order to improve the internal validity of the study, Merriam (2014) suggested that the following strategies be used: triangulation, adequate engagement in collecting data, clarification of the researcher’s position, and peer examination. For this research study, to ensure credibility, I used the strategy of triangulation. I used triangulation by conducting interviews with professionals from various industries to ensure that my findings were validated. Those interviewed had knowledge of the budgeting process and had relevant experience in their particular industry.

#### **Transferability**

Transferability is important to ensure trustworthiness in my research study. The fundamental principle guiding transferability is the extent to which the findings of my research study can be applied to other situations (Houghton, Casey, Shaw, & Murphy, 2013). The boundaries of the study are important as well as the details of the research study. In order to ensure transferability, I provided a detailed description of the context for the study, including the

setting and the participants. I selected typical industries that are common throughout the United States that prepare annual budgets.

### **Dependability**

Houghton, Caney, Shaw, and Murphy (2013) determined the concept of dependability to indicate if the research work was to be repeated, within the same context, and with similar research gathering methods, would similar results be obtained. In order to ensure dependability, the process of conducting the case study was reported in detail. Detailed notes and research information enabled future researchers to repeat the work. A journal was maintained, as well as other critical data collection devices, where I documented the data collection and analysis protocols that I made during the research process. Letters of consent and cooperation as well as the collection instruments are provided in the appendixes of this research study to support the audit trail.

### **Confirmability**

Confirmability relates to the objectivity of a research study. Houghton, Casey, Shaw, & Murphy (2013) indicated that confirmability occurs when the works findings are the result of the experiences and ideas of the informants rather than the characteristics and preferences of the researcher. As the researcher, I was aware of any potential bias and the impact on the study. I was responsible for the data collection and analysis and understood that using the strategy of reflexivity was used to improve objectivity.

### **Ethical Procedures**

Ethical issues was not a relevant concern in this research study with respect to analyzing the data and with any interviews that were conducted. The interviews did not focus on any

potential confidential or specific financial information of an organization but rather on the approach used to prepare a budget. In addition, the focus of the interviews considered the relationship between the budget processes and if collaboration would make the process be more successful and meaningful for those involved. Questions in qualitative research have to be broadly stated without a specific point of reference (Seidman, 2013). The questions should remain in context and only reference the experience encountered.

The challenge with this type of research method was to describe the issues as they really were. In addition, understanding the meaning and essence, in the light of perception and self-reflection, is important when presenting the results of the research (Moustakas, 1994). Knowing the problem exists is one thing; understanding the feelings surrounding the potential of a different outcome is another area of concern.

### **Summary**

For my research study, I believe that utilizing an intrinsic case study research method helped to contribute to current research in the accounting and finance field. The accounting and finance field of study is not only relegated to just observing strict financial policies and procedures. This field can be expanded upon to explore human experiences by contributing to professional development and attitudes, as well as employees working together to perform necessary tasks. The task considered in this research study is that of a collaborative approach to budgeting. This research study was further enhanced given my experience with the budgeting process. My experience aided in the exploration of the related research questions posed in this research study.

In using case study as a research method, as it relates to a collaborative approach to budgeting, interviews were conducted. Case study methodology is suitable to provide an all-inclusive representation of the broader stakeholder groups (Baskarada, 2014). This research study examined, by conducting interviews, the potential relationship of collaborative approach to budgeting and the improvement of the budget process. By conducting interviews, I gathered and then analyzed information that expounded to shed light on the benefits of collaborative budgeting.

Chapter 3 provided the framework for how the research is to be conducted to synthesis the research questions. The chapter included a description of the research method used, how the data was collected, and particulars of the participants. In Chapter 4, I present the test results from the data analysis. In Chapter 5, I present conclusions and recommendations.

## Chapter 4: Results

The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, it was expected that this study would also affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments. The implications were explored through the identification of the potential relationship between using a collaborative budgeting approach and not using a collaborative approach to explore the impact on the budget process. An enhanced understanding of a collaborative approach is required since it is likely that this method could provide a more effective budget document along with improvements to the entire budget process. Budgeting models that include input from many sources eliminate significant variances. In this study, I worked with leading finance and operating managers to determine whether such collaborations can be determined in the budget process.

The theoretical framework used for this study was Hofstede's (1968) theory of budgeting. The theory proposed encompasses collaborative budgeting and expands on Hofstede's understanding that budgeting can be a significant tool for managers. The research instruments used in this study were structured interviews. The questions were developed from the work of Hofstede. Hofstede's (1968) theory has a direct reflection on the collaborative budgeting process, which will consider if collaborative budgeting theory or if another budgeting theory can be used to make decisions and to plan effectively. This notion is the foundation of my study. Active and collaborative participation could potentially lead to other unexpected results that will help to promote an accurate budget process.

The larger, overarching research question relating to this research study is: how an organization would be impacted if a collaborative approach to budgeting were utilized? To explore the idea of improving the budget process, the problem statement, purpose, and objectives for the study, the following specific research questions related to this study were considered:

Q1. Why would an organization make a change or a concentrated effort to change the budget process and allow for a more collaborative approach versus a non-collaborative approach?

Q2. How would the budget process be impacted if a collaborative approach were to be employed versus a non-collaborative approach with the budget process?

Q3. What method of budgeting could positively impact both internal and external users of financial information?

Q4. How could an organization realize potential benefits for operational managers if they are allowed take ownership of financial information through inclusion in the budgetary process?

Q5. What are the real or potential impacts on a firm's financial results derived from the use of a collaborative budgetary approach as compared to a non-collaborative approach?

Q6. How could an organization improve the budget process in order to reduce or eliminate any potential frustration from an employee perspective?

In this chapter, I described the process that lead to the in-depth interviews as well as the data collected from the interviews. In this chapter, I also described the data analysis plan. The interview scripts and questions can be found in Appendix A. The information gathered from the interviews served as the data for this study. The chapter concludes with a summary of the results

from the research questions and a discussion of the themes that emerged during the data analysis phase.

### **Research Setting**

Various forms of business organizations representing a cross-section of industry were selected for this study. Participants in the study held assorted financial positions in a variety of organizations. The participants, who had financial and budget preparation experience, represented the service sector, manufacturing of heavy machinery, waste management, restaurant and entertainment sector, and retail. Levels of familiarity and years of experience varied among the participants but were consistent with the objectives of this research study. The interviews conducted focused on the budget process for their specific entity as well as the participant's feelings towards the budgeting process.

As I made contact with the participants, there was no indication that there were any personal or related conditions that would positively or negatively influence the participants. All participants expressed a willingness and an interest towards participating in the research study. The participants did not disclose any organizational conditions or specific financial information about the entity that they worked for while the interviews were conducted. In addition, there were no changes in personnel, budget cuts, or other personal trauma that would influence the interpretation of the study results experienced by the participants.

Each interview ranged from twenty to forty-five minutes and the interview targeted the participant's perceptions about budgeting. The interviews were conducted in a private space, without distractions or interruptions. Cellular telephones were turned off and put away in order

to ensure that no disruptions would occur. The participants were engaged in the discussion and appeared to be at ease and open to the questions asked during the interview.

### **Demographics**

The participants for this study were from the metro-Houston area. The participants had a wide variety of industry experience which was necessary to complete an in-depth review of budgeting experience. Financial and budget experience was relevant to this study. Familiarity with budgeting was necessary because capability is a relevant factor to determine how a budget system worked and how to implement any changes that are required in order to meet budgeted targets (Huang & Chen, 2009). Huang and Chen's observations are in agreement with Hofstede's (1968) theory that experience of those preparing the budget will help with the overall function of the process.

Direct budgeting involvement also varied among the participants. The range of experience was from a low of three years to a high of over twenty years of direct budget preparation and involvement. Unobtrusively, during the interview period, some of the participants indicated that they had more indirect, rather than direct budget experience. However, all participants had been involved in the budget process, in some way, and therefore were able to participate in this research study. The mix of participants in this research study was 65% male and 35% female. All of the participants had sufficient experience with budgeting, as defined in Chapter 1.

### **Data Collection**

Interviews were used for this research study. Interviews were chosen as the most appropriate method since interviews, in a qualitative study, assist the researcher to obtain facts

and knowledge about the phenomenon under investigation by using a series of questions (Mojtahed, Baptista-Nunes, Martins, & Peng, 2014). Twenty participants were selected for this research study. All participants for this research study were interviewed. Interviews were selected for this research study because interviews are a technique that allows the researcher to get an insight into the person we are interviewing. Structured interviews were conducted with a prepared list of questions (see Appendix A).

In order to clarify the requirements of participating in this research study, a letter of consent was created to ensure participants knew their rights and expectations of participating in my research study. The letter of consent included informing the participants that they could stop participating in the interview at any time, the approximate time required to participate in the research study, and that there would be no compensation involved for partaking in the research study. Finally, the participants were advised that their active involvement in the study would help to make improvements in the budgeting process.

Each participant who decided to participate in the research study agreed to an acceptable time to meet and be interviewed for the study. I asked if I could record the conversation so that I would not misinterpret any of the answers that they had. Several participants did not agree to the recording of the interview. I did not perceive this as a problem and confirmed this with an e-mail to my committee chair. The interviews were conducted without a recording device and notes were taken as the interview progressed. To ensure I accurately transcribed responses, I repeated the answer that was provided to me to ensure that I wrote the proper response. During the research, none of the participants wanted to stop the interview at any time.

The average length of time spent during the interview was approximately 30 minutes. This was lower than originally anticipated however all questions from the prepared list were asked and some discussions about budgeting procedures also occurred during the interview. Any additional questions asked were logged in my notes. The few supplementary questions focused on clarification of responses. When I was preparing for the interview process, I was unsure about the estimated time to complete the interviews. I had anticipated approximately one hour to conduct each interview. An hour was more time than actually required. The quickness of the interview process did not present any issue for the research study since all questions that were to be asked, were asked and the questions were answered appropriately by the participants.

With the exception that some of participants were uncomfortable with their conversations recorded, no unusual circumstances were encountered during the data collection procedure. The interviews were conducted professionally and without issue. There were no deviations from the interview questions established in Appendix A.

After the interviews were conducted, transcripts of the conversation were formed based on the responses given. I believe that even though I was only able to write down responses rather than record responses, that unexpected change in the planned interview process did not negatively impact the results of this research study. Summarized answers were entered into Microsoft Excel for coding and summary purposes. I used Excel as a means of preparing the data for analysis by color coding the various sections of the questionnaire. By using Excel, themes and commonalities were easily identified.

## Data Analysis

The information obtained during the interview process and the questions from the questionnaire were designed to answer the research questions outlined in Chapter 1. The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. This qualitative research study explored, by conducting interviews, how collaborative budgeting could improve the budget process. Interviews were conducted with 20 operational professionals in order to assess the level of agreement as to the benefits of a collaborative approach to budgeting. Participants were selected based on their budget preparation knowledge and proficiency. Participants represented a cross-section of a variety of industries in the Metro Houston area.

As a qualitative researcher, my goal was to analyze transcripts of the interviews and notes from the participant interview sessions. By analyzing the text and transcripts of the interviews, my goal was also to understand what that participant's really thought, felt, or did regarding a budget situation. In addition, my analysis was used to consider ways and methods of improving the budget process and the means of making improvements. Data analysis began following each interview. Once the participants were interviewed, I transcribed the interview questions and summarized responses from the participants by utilizing Excel. Each response to each question was summarized in order to look for any commonalities, themes, codes, or categories. By utilizing Excel to search for common perceptions, I could see at a glance similar responses to establish themes from the questions asked.

Documentation and summarizing responses is significant in qualitative research.

Documentation was critical for my data analysis procedure since I would be analyzing reactions with a focus on the responses to the questions asked of the participants. I found it essential to keep track of many pages of interview notes. For most interviews, I had two pages of responses, notes, and analysis. I entered the key points of the responses into Excel in order to summarize and analyze the data. The summarized responses are provided in Appendix B.

In addition, my goal as I analyzed the qualitative data from an inductive point of view was to identify important categories in the data. I was also aware that I should search for patterns and relationships in the data through a process of discovery. I accomplished this by reviewing the responses and entering the responses into Excel. As the interview data was examined, I did not try to lead the analysis. By writing responses to the answers, I tried to let the text and the responses of the participants lead the analysis.

The steps that I took to plan and begin for data analysis were to first document the data and the process of the data collection. I then organized the data into concepts. This step was followed by examining whether there were any connections among the responses from the various participants. I also contemplated if any of the responses influenced further investigation. Finally, I evaluated any unique observations or any negative responses.

My analysis began once the interview process began and continued as I reviewed my notes after completing the interviews. I made additional notes and highlighted what I thought were important points-of-view or interesting responses to the questions that were asked of the participants. The basic data that I had work with for data analysis was the observations and conversations with the participants. The actual words and phrases and the responses to the

questions were reproduced to the best of my ability from the notes that I gathered while conducting the interviews. In order to keep myself organized, I color coded my interviews. The notes that I took while interviewing the participants were in blue. As I reviewed the notes, I circled and highlighted in green any significant concepts or themes. If I found any substantial or noteworthy responses, I indicated those in purple. This method kept me organized and allowed quick reference for key points of the interviews and what I thought were key points for analyzing the data.

Once all participants were interviewed, I transcribed the answers from the participant's and reviewed my notes from the interviews. The questions that were asked of the participants were the same with no deviation from the prepared list of questions from Appendix A. Any additional questions were for clarification purposes and were documented on my notes. I did not judge the participant's responses to questions to be either true or false. I asked the participants a series of predetermined questions and let them respond as needed. I trusted that the participant's responses would reflect their true feelings towards the questions posed to them. Analysis was performed through the interpretation of the interviews.

As the interviews were conducted, I made notes since participants did not want to be recorded. I ensured that I wrote the responses to the questions that were asked carefully. I would often repeat the answer to make sure that I wrote all essential information. In addition, as I analyzed the responses, I circled and underlined what I thought were important points for my own emphasis when I reviewed the notes and entered them into an Excel spreadsheet. I also highlighted responses that were either unique or different from other responses that I received. I did this in order to note the importance of the response and to note differing opinions expressed

by the participant. By doing this, I was able to highlight the unique responses when I entered and summarized into Excel.

In addition, as interviews were conducted, and as I made notes as the participants answered questions, I jotted down ideas about the meaning of the responses, of the text, and how specific responses could relate to other issues and responses from other participants. As the interviews were conducted and during the data analysis process, I did not find other additional concepts that needed to be investigated. Nor were there any new relationships that needed to be explored.

As the interviews were conducted, one question gave some of the participants cause to struggle with their response. The question: “It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?” caused some of the participant’s confusion and some were unsure how to respond to this question. I did not try to lead the participants however some were unsure how to answer that question. In order to assist with this question, I provided an example. The example I provided in order to relate to the question was to think about how the budget preparer is aware of the entire budget; is the preparer looking at their own budget from a personal perspective, with their own self-interest at the forefront or, does the preparer understand the larger picture. The example seemed to satisfy the participants and they were able to provide insight and answer the question accordingly.

Examining relationships is a centerpiece of qualitative analytical data analysis. I looked for relationships among the responses. This allowed me to move from simple description and answers to the questions to consider an explanation of why the participants thought about why

certain budget procedures were in place and how to improve upon the case at hand. I created an Excel matrix to look for any common themes.

Several themes were revealed during the data analysis process. As I gathered the notes and responses, summarized these transcripts to Excel, I found some recurring words and phrases. The themes that appeared and were included in many responses included themes such as: balanced, accountable, active, and control. Overarching themes that were similar and occurred frequently during the interview process was involvement and process. Many of the participants had similar, not exact, responses to the questions with similar overarching and detailed themes reoccurring during the interview process. This could reflect data saturation since budget procedures appeared similar among the organizations the participants worked for.

There were no areas of major concern while coding or transcribing and no significant discrepant cases were noted since the participant group was only made up of twenty people. I believe that it is important to disclose that I did not encounter any significant problems during the interview process that could cause any concern during the data analysis phase of this research project.

### **Evidence of Trustworthiness**

#### **Credibility**

Credibility can be determined by how congruent the findings relate to reality as well as how believable are the findings of the study (Houghton, Casey, Shaw, & Murphy, 2013). In addition, credibility refers to the plausibility of the research findings (Tracy, 2010). In order to improve the internal validity of the study, Merriam (2014) suggested that the following strategies

be used: triangulation, adequate engagement in collecting data, clarification of the researcher's position, and peer examination.

To ensure credibility for this research study, I used the strategy of triangulation. I used triangulation by conducting interviews with professionals from various industries including oil and gas, service, and entertainment and retail. I interviewed these various professionals, using the same questions, to ensure that my findings were validated by comparing the responses and then searched for similarities. Those interviewed had knowledge of the budgeting process and had relevant high-level budgeting experience in their particular industry and company. I found all of the responses believable which is reflected in the results of the study.

### **Transferability**

Transferability is important to ensure trustworthiness in my research study. The fundamental principle guiding transferability is the extent to which the findings of my research study can be applied to similar situations (Houghton, Casey, Shaw, & Murphy, 2013). The boundaries of the study are important as well as the details of the research study.

To ensure transferability, I provided a detailed description of the context for the study, including the setting and the participants. I selected typical industries that are common throughout the United States that prepare annual budgets. I also selected participants who had relevant and reliable budgeting experience. While some of the participants had various years of experience, the minimum number of years that was acceptable was at least one year of direct budget experience. The participants in this research study all met the minimum requirements. In addition, I asked the same questions to all the participants in the research study.

**Dependability**

Houghton, Caney, Shaw, and Murphy (2013) determined the concept of dependability to indicate if the research work was to be repeated, within the same context, and with similar research gathering methods, similar results would be obtained. In order to ensure dependability, the process of conducting the case study is reported in detail. Detailed notes and research information were preserved to enable future researchers to repeat the work. A journal was maintained, as well as other critical data collection devices, where I documented the data collection and analysis protocols that I made during the research process. Letters of consent and cooperation as well as the collection instruments are provided in the appendixes of this research study to support the audit trail.

**Confirmability**

Confirmability relates to the objectivity of a research study. Houghton, Casey, Shaw, and Murphy (2013) indicated that confirmability occurs when the works findings are the result of the experiences and ideas of the participants rather than the characteristics and preferences of the researcher.

As the researcher, I was aware of any potential bias that I, or the participant may have had, and considered the impact on the research study. I was responsible for the data collection and analysis and understood that using the strategy of reflexivity was used to improve objectivity.

**Study Results**

This study focused on a qualitative research method to explore collaborative budgeting. Since operation managers are usually held responsible and accountable for actual results, in

comparison to budgeted amounts; it was inferred that operation managers should be included in the entire budget process. This research study considered how the budget process would be impacted through collaboration. In addition, this research study considered if the inclusion of individuals with various levels of expertise should be included in the process in order to determine and create a viable and acceptable budget document.

The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, it was expected that this study would also affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments. The implications were explored through the identification of the potential relationship between utilizing a collaborative budgeting approach and not utilizing a collaborative approach to explore the impact on the budget process. An enhanced understanding of a collaborative approach was required since it was likely that this method could provide a more effective budget document along with improvements to the entire budget process. Budgeting models that include input from many sources eliminate significant variances. In this study, I worked with leading finance and operating managers to determine whether such collaborations can be determined in the budget process.

The participants selected for this research study had experience and knowledge of the budget process within their organization and understood the mechanics of budgeting. The participants were somewhat limited in this research study because they had to have appropriate exposure to financial information within their organization, especially understanding and comparing budget to actual variances. The group of participants, in the metro Houston area,

represented a wide cross-section of industry. The participants were selected from the oil and gas, manufacturing, and service industries. Twenty participants were selected and contacted for interviews for this research study.

The goal of this research study was to consider positive attributes of a collaborative budget and what the impact could be on the budget process and perhaps the impact on financial results. Without direction and support from management, continuous struggles with the budget could become an issue and could be a cause of frustration from the operational perspective. Therefore, the larger, overarching research question relating to this research study is: how would an organization be impacted if a collaborative approach to budgeting were utilized? The results of the research study will address each research question posed in Chapter 1. Themes and commonalities were explored as each research question was assessed and considered.

In order to consider if an organization would make a change or a concerted effort to change the budget process and allow for a more collaborative approach versus a non-collaborative approach, certain interview questions focused on the current process of the various organizations of the participants. Understanding the current process allowed the participants an opportunity to reflect on those processes and how they could be improved. Participants were asked to consider the current budget process. Additionally, to assess the first research question, the participants were asked to consider how the current process operated, and if improvements could be made to the process. These questions laid the foundation of the research questions that were to follow.

When the participants were asked specifically about how or why an organization would make a concentrated effort to change the budget process and allow for a more collaborative

approach, most of the participants indicated that there was a disconnect between those who have responsibility for the budget and those who are held accountable if budgeted targets are not met. Of the 20 interviews conducted, all indicated that for their specific organization, the corporate or head office sets the budget targets. This seemed to be common practice and targets were set without input from operations. However, all participants indicated that operations managers and field locations are ultimately responsible for meeting targets, achieving targets, and more important operations has the most say of what happens at the field locations on a day-to-day basis.

The majority of those interviewed indicated that there is little to no interaction between operations and the head office when setting budget targets. One participant indicated that if there was interaction, “operations’ would take more responsibility for the numbers and perhaps more ownership”. That seemed to be a recurring theme when considering current methodology of budget preparation. It is also an indication of the need to improve the process.

The participants indicated that the rationale for an organization to make a change or a concentrated effort to change the budget process and to allow for a more collaborative approach would be one that involves more operational employees to be part of the process. By promoting greater participation, an organization could potentially see better financial results and perhaps stronger employee satisfaction. In addition, by including employees in the budget process could result in a better and perhaps more achievable budget amounts.

When considering improvements to the budgeting process, many of the participant’s indicated that there should be more active involvement from operations. Some also indicated a problem with the current process as a lack of proper training. To improve collaboration,

additional training, resources, and time were indicated as possible solutions to help overcome some of the current process issues.

Another interesting note that seemed apparent was that those with more experience seemed to indicate that problems were more obvious when operations were not involved in the budget creation and with budget discussions. While beyond the scope of this research, those with more experience were more in-tune with the relationship between operations and management and could observe potential problems. In addition, while some participants did not have direct budget experience, they worked on budget preparation but did not contact or work with operations directly. This issue seemed to arise because of a lack of experience of the participant and perhaps the participant not fully understanding the business that they are part of. If the participants were actively involved in budget meetings, they also appeared to have a better grasp on potential issues and the understanding that if operations were more involved, there could be better budget documents and more productive meetings.

It was interesting to note that one participant indicated that during budget discussions, within their organization, management and operations have a dialogue during presentations and meetings. The participant indicated that when operations met with management, there was a collaborative spirit and when they defended the amounts recorded on the budget, management would listen and infrequently suggest that operations make and significant revisions to the numbers presented. This is indicative of a collaborative attitude where all members of a team work together.

When the discussion moved on to consider if the budget process would be impacted if a collaborative approach were to be employed versus a non-collaborative approach, most of the

participants were in agreement with an inclusive methodology. Specifically during the interview process, the question was asked regarding how much say, or influence operations should have on the budget. All participants believed that operations should have a say in the budget preparation and that operations should be actively and directly involved in the preparation. All participants agreed that a collaborative approach would be better for the organization.

The participants mentioned that the experience of the operations managers was crucial for budget preparation and to understand the dynamics of the business. One participant indicated that “operations should be involved in the budget process because they are held accountable. They have the knowledge of the local business”. This seemed to be the overarching theme to this research question. With experience and accountability, there should be responsibility for preparing the budget documents. In summary, the participants felt that operations should be involved more with a collaborative approach.

Of the 20 participants interviewed, almost all had a similar response when asked about how much influence an operations manager should have on the budget. This was a question linking the benefits of collaboration to the budget process. Participant #2 noted that there should be a collaborative approach since “operations are responsible for the numbers and are held accountable for missing targets”. This indicated that operations should be involved in the collaborative process of budget preparation.

Participant #10 in the research study made an interesting observation and statement regarding collaboration. While the participant agreed that there should be a collaborative approach, the participant cautioned that “there has to be a balance, some operations managers could stretch the truth and not be honest”. While the positive benefits of a collaborative

approach seem to outweigh the negative benefits, as always, caution should be exercised and management still has to provide guidance and support for a collaborative budget system to work. That seems to define the notion of a collaborative approach, both operations and management should work together for a common goal, collectively.

The participants were almost all collectively in favor of a collaborative approach to budgeting. The majority also believed that the budget process would be positively impacted if a collaborative approach were to be employed versus a non-collaborative approach. The idea of a collaborative approach was accepted because the participants were aware of the positive aspects that could be achieved with greater cooperation.

The participants were next asked to consider alternative methods of budgeting. When asked specifically which method of budgeting could positively impact both internal and external users of financial information, most were in agreement that a collaborative approach was the most appropriate method to consider. When asked regarding the most important improvements that could presently be made in this plant for budgeting, most of the participants were in agreement about the improvements. An overwhelming majority of the participants believed that operations should be more actively involved in the preparation of the budget document.

One participant believed that budgeting should occur throughout the entire year. By continuously budgeting, operations would be actively involved in all aspects of budgeting constantly, as revisions are proposed. The participant also thought that operations will understand and receive the necessary communication for any changes if they are actively involved. Participant #15 made an interesting observation. The comment was that: "corporate should challenge operations (regional) managers to make continuous improvements". The idea

here was that if operations is actively involved and included in the process, they would look for ways to improve operations on a day-to-day basis, not only at budget time. Operations should also be in communication with managers so they would not be overwhelmed at budget time. Another comment that was similar to this observation which relates to the overarching theme to this research question was that “if there is more active involvement, operations knows what is to be expected” (Participant #1). This seems to indicate the benefits and support for a collaborative approach to budgeting

As the interviews progressed, the next research question to be considered reflected on the impacts to the organization. In particular, how could an organization realize potential benefits for operational managers if they are allowed to take ownership of financial information through inclusion in the budgetary process? One participant indicated that if there was a collaborative approach, and if operations was actively involved, that involvement would be better for the company as a whole.

Once again, there was consensus with all the participants with this question. The participants indicated that if operations were actively involved in the budget process, the participants believed that budget targets would be achieved. One participant indicated that if operations are involved, there will be ownership of the numbers. That notion was a recurring theme for this specific research question.

Although most participants indicated that corporate had definitive control of the budget document and the budget information, the participants overwhelmingly agreed that operations are ultimately responsible for the budget numbers, and achieving budget numbers. Therefore results of the questionnaire indicated that operations should have a greater say and have some

flexibility when preparing the budget document. Once again, this appears that the participants, based on their experience and knowledge believe in a collective approach to budgeting and that operations and management should work together.

Meaningful tools should be provided to encourage success. In order to achieve this result, operations would have to have better reporting devices. Surprisingly, many participants indicated that same concern. Several mentioned that reporting for operations should be considered and if there is solid reporting, it would not only improve reporting analysis for management and the corporate office but also improve analysis for operations. The more reporting tools and financial information that is available will be a positive thing.

The next research question to be considered when interviewing the participants centered on consequential outcomes to an organization. Specifically, when the participants considered the real or potential impacts on a firm's financial results derived from the use of a collaborative budgetary approach as compared to a non-collaborative approach, there was consensus. Most participants believed that the firm would benefit from a collaborative approach rather than a non-collaborative approach. Most indicated that the budget would have more realistic numbers and that operations would take ownership of the budget. Many also indicated that if management and operations work together in collaboration, the target numbers could be achievable.

One participant made an interesting observation. The observation is beyond the scope of this research study but is important to note. The individual indicated that some of the budget preparation could be related to an individual's integrity. The participant went on to indicate that if an individual prepares an accurate budget, no matter the circumstances, that individual can

defend the budget and the budget could be achieved. To me, this is the basis of collaboration, openness, inclusiveness, and honesty.

Finally, the last research question reflected on whether an organization could improve the budget process in order to reduce or eliminate any potential frustration from an employee perspective. Improved employee morale and satisfaction were two issues that several participants indicated. The consensus was that operations should be more involved in the process. Active and meaningful involvement was a theme that most participants indicated and supported.

Participant #4 indicated, during the interview process, that one of the functions of the budget process that operates least well was that “operations has no say in the plan. This is hard to motivate and engage employees”. This statement reflect the dilemma that organizations may face when deciding to establish a collaborative approach or not during the budget process.

Participant #7 observed that operations “is told what to do.” The participant, who was a member of the operations team, seemed concerned and added that “I know the business and what I can do to succeed”. With a collaborative approach, inclusiveness should help the process and the entire organization succeed.

The above interview results align with the research questions determined in Chapter 1. The research questions provided the structure for the interview questions asked of the participants. While the research questions were focused, the interview questions expanded on the research questions in order to provide robust results. The results of the interviews reflect the research questions as indicated. Based on the interview questions, most participants indicated that collaboration would provide more ownership, involvement, and accountability from an

operations perspective. These issues impact employee satisfaction and could lead to improved productivity.

The theme of a collaborative approach and cooperation was evident during many of the interviews with the participants. When asked about benefits of a collaborative approach, all participants provided positive results and had a positive reaction to the suggestion that a collaborative approach be undertaken during budget preparation.

### **Summary**

The purpose of this qualitative, case study is to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, it is expected that this study will also affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments. The theoretical framework for this study was Hofstede's (1968) theory of budgeting. The theory proposed encompasses collaborative budgeting and expands on Hofstede's understanding that budgeting can be a significant tool for managers. The research instruments to be used in this study were structured interviews. The questions were developed from the work of Hofstede. Hofstede's (1968) theory has a direct reflection on the collaborative budgeting process, which will consider if collaborative budgeting theory or if another budgeting theory can be used to make decisions and to plan effectively. This notion is the foundation of my study. Active and collaborative participation could potentially lead to other unexpected results that will help to promote an accurate budget process.

The responses by the participants regarding the benefits of collaborative budgeting were as expected. The participants believed that if a collaborative approach to budgeting was

developed and put into practice, there would be long-lasting and tangible benefits to the organization. In addition, employee morale could be improved upon. Active participation of operations in collaboration with management would provide positive and likely lasting results for an organization. Operational employees who are empowered to be part of the decision making process will have positive effects on an organization and for the employee.

## Chapter 5: Discussion, Conclusions, and Recommendations

The purpose of this qualitative case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, it was expected that this study would also affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments. The implications were explored through the identification of the potential relationship between utilizing a collaborative budgeting approach and not utilizing a collaborative approach to explore the impact on the budget process. An enhanced understanding of a collaborative approach was required since it is likely that this method could provide a more effective budget document along with improvements to the entire budget process. Budgeting models that include input from many sources eliminate significant variances. In this study, I worked with finance and operating managers, in various industries to determine whether such collaborations can be determined in the budget process.

The nature of this research study on collaborative budgeting qualified as a qualitative research study. Qualitative strategies provide the superior alternative approach over quantitative research methods because of the focus of the human experience (Moustakas, 1994). Budgeting qualifies as a human experience which qualitative studies can be used to further enhance a better understanding and describing the world of a human experience (Koch, Niesz, & McCarthy, 2013). For this research study the connection that was considered was the relationship between a collaborative approach and the success of an organization through the budget process.

In this research study, I analyzed the potential impact of a collaborative approach to budgeting which encompassed Lazenby's (2013) theories of budgeting. I undertook this

research study in order to find potential improvements to the budget process. I considered the data in this study to be inductive because once I completed interviews with the perspective participants; I expected a relationship to emerge between improvements to the process and budget collaboration which could impact the GAAP of relevance and reliability of the process. The character of the relationships in the study gathered was indicative of a case study approach within the area of qualitative research.

Based on the interviews that were conducted with participants from a variety of organizations, in the Metro-Houston area, I found that common themes emerged. The themes of a collaborative approach and cooperation were evident during many of the interviews with the participants. When asked about the benefits of a collaborative approach, all participants provided positive results and had a positive reaction to the proposal that a collaborative approach be undertaken during budget preparation. These positive results will be discussed in the section that follows. The essential finding to this research study was that a collaborative approach to budgeting provided benefits to an organization.

### **Interpretation of Findings**

The themes that originated from the literature review in Chapter 2 were again ascertained when interviews were conducted. The common themes found in the literature review were ownership, responsibility, accountability, and control. These themes corresponded to the themes discovered in the research analysis. Most notably, from the literature review are the summaries of Chen (2013) who promoted decentralization; Lu (2011) who considered participation to be interactive and collective; Tanase (2013) who considered leadership style; and Bartels (2013) who promoted openness and inclusiveness. These themes were also indicated in the research

analysis conducted in Chapter 4. These matters seem to have the same overarching theme in common. The overarching theme is collaboration. Collaboration is a positive method of preparing a budget.

The theme of collaboration also ties into the overarching research question which considered: how would an organization be impacted if a collaborative approach to budgeting were utilized? The responses to the interview questions reflected the current research discovered in the Chapter 2 literature review. Specifically from the literature review, research from Heinle, Ross, and Saouma (2014) found that collaboration improves the flow of information; Baiocchi and Ganuza (2014) determined that inclusiveness equates to a successful organization and opens up the discussion to more diverse ideas; Gomez, Insua, Lavin, and Alfaro (2013) found that collaborative budgeting is growing in popularity.

A common indication during the interview process signified that changes were necessary in the budget preparation steps within organizations. This was the first research question posed and several interview questions addressed this issue. Most participants indicated that budgets are prepared by the corporate or by the head office with little to no input from operations. This understanding is consistent with the literature review. Consideration should be made to review if a change to the budget process is needed. From the literature review, Schick (2013) noted that new methods of budgeting should be considered to take account of results and in order to seek alignment between budget decisions and corporate objectives. The participants of the research study had similar conclusions. The overall response of the participants made it clear that once an annual budget is completed, a review should be rendered of the process to assess what may have worked during the process and what may not have worked. As the interview process established,

many of the participants were not involved in meetings that occurred during budget review. This is a significant observation and one that should be addressed to determine if improvements to the process can be made.

In a study conducted by Vaznoniene and Stonciuviene (2012) out of 650 organizations surveyed, 60.7% of the respondents to the survey indicated that it was necessary to make changes to their budgeting procedures. From the participants, during the interview process, almost all indicated that improvements should be made to their current budget procedures. Of the twenty participants interviewed, seventeen (or 85%) believed that changes needed to be made in the budget process at their respective organizations. Unfortunately, many organizations do not know how to overcome budgeting problems.

The second research question considered the impact if a new approach to budgeting was established. Rather than moving forward, many organizations, although unhappy with the current process, continue with an inefficient process which is unhealthy for organizations (Bartels, 2013). This observation, gathered during the literature review, did not appear acceptable to the participants that were interviewed. Most of the participants were in agreement that changes should be made to the budget process. The change that they expected was that operations should be more involved, there be better training, and better reporting be available in order to analyze financial information.

The participants indicated that operations understands the nature of the business and has experience with customers, vendors, and employees. Operations understands the major stakeholders of the business. If improvements are to be made in the budget process, experience is necessary and is an important factor. Experience comes from an understanding of what

happens at an operational location. If an operations manager is included in the budget discussion, that direct involvement could help with the preparation of a more accurate document. Experienced individuals understand the nature of a business.

Understanding the needs and commitments of an organization is crucial to the success of a business. Collaboration should be encouraged when employees have a significant amount of experience. Experience in an organization is a crucial benefit to an organization, which should be encouraged. In addition, employees do not subscribe to insincerity emanating by upper management. Employees realize and understand when their ideas and contributions are ignored. If employees are to be part of the process, management needs to make sure that they are truly part of the process. Orlando (2009) was in agreement with the delicate balance of budget contribution.

Experience is an important factor to determine how a budget system will work and how to implement any changes that are required in order to meet budgeted targets (Huang & Chen, 2009). Huang and Chen's observations are in agreement with Hofstede's (1968) theory that experience of those preparing the budget will help with the overall function of the process. The participants of the research study indicated that operations has the experience, understands the business, and should be more involved with the process. The opinions expressed by those interviewed matched the conclusions expressed by many of the opinions expressed by the authors in the literature review.

If the leadership team in an organization encourages participation, there could be an impact on the level of cynicism in an organization (Brown & Cregan, 2008). A positive atmosphere creates positive feedback in an organization. Managers have a choice to make the

atmosphere in an organization either positive or negative. Participation in the budget process is crucial for employees to feel part of a team and for success of an organization. A positive and participatory atmosphere in an organization will help to generate a better collaborative approach (Brown & Cregan, 2008). Participants of this research study also believed this to be true and indicated that more employee involvement could lead to better results.

If a collaborative approach is applied, human relationships could develop as managers, both operational and financial, within the organization work together to develop a document that could be achievable and could represent a true picture of what could be realized. Results of the interview indicated that employees should be involved in the decision making process in order to have a better understanding of the requirements for success. This is consistent with the conclusions of the literature review especially that collaboration could result in greater motivation and effort on behalf of employees (Brown & Cregan, 2008). In order to fully ensure that employees are actively contributing to an organization, the employer has to mean it, and act upon it, to make sure that employees are truly contributing to the success of the organization.

The results indicate that it takes many people to create a successful, working budget. With operational involvement, and a collaborative approach, ultimately, people make budgets work. This was found during the interview process as well as in the literature review. It is possible that goals of an organization could be met. Budgets play an effective role in achieving strategic goals of an organization (Libby & Lindsay, 2010). Budgets also set the overall financial standard of an organization, and can assist the financial group of an organization when they are analyzing fluctuations of goals in an establishment during a fiscal year. Large, medium, and small businesses create budgets annually in order to predict and plan for future events

(Sivabalan et al., 2009). Budgets should not only be used as a forecasting tool but also should be used to attract investors to make a company stronger. Much money, time, personal energy, and operational effort can be spent on creating budgets.

From the results of both the interviews and the literature review, budget collaboration will likely produce better results if more people are involved in the overall process. During the scholarly literature review, I examined the benefits of active participation in order to have a collaborative budget that is accurate and fair. According to Heller (2003), most decisions are made at the top level of an organization. In many cases, upper management is unwilling to share decision making authority that exists. Internal coordination of processes, including the budget process, is important for strategic goals of a corporation (Hornstein & Zhao, 2012). The goals include corporate innovation and the overall performance of the firm.

With greater participation and collaboration, there is a positive impact on employee satisfaction. Budgets are used to set plans for an organization. Targets set by the budget are used to assess employees and in some cases achieving budgeted goals directly impacts employee compensation. Cheng, Chen, and Shih (2014) understood the alignment between budget targets and the benefits of budget ownership. The reason for achieving targets, they continued was that through participation the employees had a stake in the organization which reflected upon themselves.

Employees are actively involved each day when they come to work. To be professionally challenged, employees should be more involved in the day-to-day operations of a business. This sentiment was echoed loudly from the participants of the interviews. Interaction could include the development and process of budget preparation. By involvement in the budget process,

employees have some position of ownership and responsibility as well as management in the company. Operations managers that are involved in the process will have a better understanding of the implications towards budget preparation. Their understanding will improve not only for their own local operational budgets but also for the company as a consolidated entity as well (Zainuddin & Isa, 2011). This argument is a strong case for a collaborative approach since active participation will help to produce a better result. Additionally, employees who are involved in the process will have a much better understanding of the rationale behind targeted numbers and how the targets are arrived at. This could result in a better, more realistic budget document.

Employees usually seek to be involved in a process that will have a direct impact on their situation. Zainuddin and Isa (2011) understood and concluded that if operations manager think that they are able to have an impact on the budget process, they will actively participate in the budget process. If operations managers are not part of the process and there is no communication, the attitude towards collaborative budget preparation improvements will decline rapidly. If meeting budgeted targets are included in an incentive package for employees, employees will normally want a say in how budgets are determined. As employees continue to participate in the budget process, each employee's own skillset will also improve (Orlando, 2009). The annual result will be that the budget process is improving and there will be strengthening of the employee over time. Tanase (2013) was in agreement with these assessments. Tanase believed that if more people are included in the preparation of the budget, it is likely that the accuracy and quality of the budget document will improve.

### **Limitations of the Study**

The limitations identified in Chapter 1 did not pose a problem for this research study. This research study focused on the benefits of a collaborative approach to budgeting. The focus centered on the income statement rather than other financial statements. This research study did not include any reference to capital budgets nor on budgeted cash flows since familiarity with the balance sheet would be required. Based on my personal experience, most operational managers do not have access to complete and detailed balance sheet information. Normally operational managers are evaluated on income statement results and goals, not on balance sheet results since balance sheets represent a point in time rather than a period of time. During the interview process, no discussions nor interview questions focused on one specific financial statement. Instead, the interviews focused on budget preparation rather than specific financial information.

Any potentially confidential financial information was not considered when conducting interviews with managers. Confidential information would include, but not be limited to, customer information, price strategy, detailed wage information, or cost structure. During the interview process, no specific questions were asked regarding confidential information. Accordingly, this did not present a problem since the focus of the interviews centered on the process rather than the specifics of the organization.

There were no references to variance or statistical analysis or to the publication of budget results for an organization. Obtaining such information would be challenging as most organizations are protective and do not publish detailed budget information. For this study, the type of budget is not in question. However, the critical factor to this study is how the numbers

were assembled. The main issue under investigation was the involvement of operations as the budget was crafted.

Bias from the participant's perspective was not an issue. Any bias that participants may have felt towards their organization was mitigated by interview questions. No personal reflection on the organizational structure nor on management philosophy was considered during the interviews. During the interview, the scope focused on budget collaboration.

The assumptions that I made for this study were accurate. Before I began this research study, I assumed that all organizations and that the participants involved in this research study had experience preparing annual budgets. The participants worked for both private and publicly held organizations and were not required to show budgeted financial statements. Before I began my interviews, I was not certain of the budget process in most organizations. Through the interview process, my assumptions were validated in that there was not a set budget template or a standard developed by any of the organizations represented. Almost every organization has its own particular methodology when preparing and creating annual budgets. If there was a standard budget template for organizations, it would be easier for analysis and consistency among organizations. In addition, if there were a standard budget template, it could be easier to view deficiencies within the process and uncover areas that necessitate improvements to the procedure.

In summary, the limitations addressed and considered in Chapter 1 did not pose a problem when interviewing the participants. As indicated in the interview questions, no specific, confidential information was requested or obtained from the participants. The participants were not required to disclose any classified information. While the process was investigated, no

specific information was disclosed. Any limitations indicated in Chapter 1 did not negatively influence the outcome of the research data gathered.

### **Recommendations**

The purpose of this qualitative, case study was to synthesize the implications of a collaborative approach to budgeting and explore conceivable improvements to the budget process through a collaborative approach. Indirectly, it was expected that this study would also affect latent implications for financial variance analysis that are computed to assess the reliability of reported earnings in company assessments. During the literature review, several gaps were discovered that contributed to this research study. This research study intended to provide additional research on participative or collaborative budgeting.

There is a sufficient amount of research regarding the preparation of budgets and there is a considerable amount of current literature on the subject of budget formulation. Current research studies by Alino and Schneider (2012), Liu and Chang (2011), and Ostergren and Stensaker (2011) focused their studies on several important issues including: budget preparation, why organizations budget, and the reasons management utilize budgets for control purposes. These theories expanded upon the conceptual framework outlined by Lazenby (2013) by considering alternative approaches to budgeting and the need for budget improvement.

However, there remains a gap in the literature with respect to how a collaborative approach could benefit and improve the budget process (Lu, 2003). Another gap indicated with respect to budget improvement process was determined by Heinle, Ross, and Saouma (2014). In their research, they indicated that “much of the prior research on participative budgeting has analyzed the consequences of participative budgeting in terms of performance” (p. 1028). This

qualitative research study will consider the budget process, rather than the final outcome of the prepared budget document. Finally, there is a gap in the literature regarding how collaboration could improve the budget process (Mirvis, 2012).

The results of the study denoted two fundamental issues. The first result indicated that improvements to the budget process is needed. Some organizations struggle a great deal to prepare annual budgets. As indicated during the interview process, many participants believed that improvements needed to be made to the budget process. How improvements are to be implemented is an area that requires additional research. Information should be gathered in order to investigate new budgeting methods and to develop the impact of these new methods. In their study of changes in management principles, Bourmistrov and Kaarboe (2013) found that very little is known when consideration is given to replacing the annual budget with other information tools. They could not determine if the process improved the abilities of decision-makers within an organization by replacing the annual budget. More research and effort is required in this area to make improvements to the budget process and how the impact would be felt within organizations.

A second and more important result of this research study was that the participants all indicated that a collaborative approach to budgeting was a superior alternative to budgeting and that a collaborative approach to budgeting should be implemented because that type of approach could produce better overall results. It is recommended that business organizations implement a collaborative approach to budgeting in order to provide positive results, empower employees to make decisions, and to provide employees the opportunity to take ownership of the budget document.

There are several recommendations for additional and future study that developed as a result of this research study. First, an area of concern that could be further explored is the direct impact on employees to any changes made in the budget process. Employee participation with regards to budgeting still requires exploration. This study focused on comparing contrasting approaches and the impact of different approaches on the budget process. I recommend that employee satisfaction be studied as an organization establishes a collaborative budget system. This could be a lengthy case study as the study should encompass at least one budget cycle.

Employee involvement should be studied further and I recommend that the direct impact on employees should be investigated thoroughly. A gap discovered from Mirvis (2012) who found that many open questions remain about engaging employees in business processes. During the interview process, it was determined that employees should be more involved in the budget process. However, follow up questions were not asked about the overall impact to the employees. Bhatti, Nawab, and Akbar (2011) studied employee participation practices. They indicated that there is a gap in the literature about the importance of employee involvement. Collaborative budgeting involves employees. This study considered employee involvement, through collaboration, and how the budget process could be impacted depending on the method of budgeting used.

The response by management to any potential budget changes is another area that should be explored further. I recommend that a case study be conducted on management's response to a change in the budget process. Management style and their response to change is an area that requires additional research in order to determine their reaction and how changes are implemented. In addition, research should be conducted regarding how responsive management

would be towards proposed changes by operations. Adler and Reid (2008) found that leadership style for budget preparation can impact employee performance. They indicated that research regarding budget preparation “has received only intermittent study” (p. 21). This research study addressed the premise that a collaborative approach to budgeting should be considered and explored and that employee involvement helped with the process.

Those with more experience were more proficient with the relationship between operations and management and could observe potential problems. In addition, while some participants did not have direct budget experience, they worked on budget preparation but did not contact or work with operations directly. This issue seemed to arise because of a lack of experience of the participant and perhaps the participant not fully understanding the business that they are part of. If the participants were actively involved in budget meetings, they also appeared to have a better grasp on potential issues and the understanding that if operations were more involved, there could be better budget documents and more productive meetings.

When conducting the literature review, several gaps in the literature were discovered with respect to collaborative budgeting and improvements towards the budget process. In their study of changes in management principles, Bourmistrov and Kaarboe (2013) found that very little is known when consideration is given to replacing the annual budget with other information tools. They could not determine if the process improved the abilities of decision-makers within an organization by replacing the annual budget.

Another recommendation for future study is to provide consistency among organizations. The idea could be to develop a standard budget template for organizations to use. If there was a standard budget template for organizations, it would be easier for analysis and consistency. In

addition, if there were a standard budget template, it could be easier to view deficiencies within the process and uncover areas that necessitate improvements to the procedure. This could have a significant effect on many organizations but from an accounting or finance perspective it is an effect that is worthwhile to explore further.

A final recommendation would be to consider how employees would react to a change in the process. Employee participation with regards to budgeting still requires exploration. Umaphy (1987) found a striking gap and indicated that “we seem to know very little about what constitutes effective budgeting” (p. 25). This study focused on comparing contrasting approaches and the impact of different approaches on the budget process. Mirvis (2012) who found that many open questions remain about engaging employees in business processes. This study attempted to address the issue of improvements to the budget process. Adler and Reid (2008) found that leadership style for budget preparation can impact employee performance. They indicated that research regarding budget preparation “has received only intermittent study” (p. 21). This research study addressed the premise that a collaborative approach to budgeting should be considered and explored and that employee involvement helped with the process. Bhatti, Nawab, and Akbar (2011) studied employee participation practices. They indicated that there is a gap in the literature about the importance of employee involvement. Collaborative budgeting involves employees.

This study considered employee involvement, through collaboration, and how the budget process could be impacted depending on the method of budgeting used. Finally, Shields and Shields (1998) realized that additional research is required on participative or collaborative budgeting. They acknowledged that “accounting literature typically adopts the notion that its

purpose is either to increase subordinate motivation or attitude” (p. 66). This research study intends to expand upon this identified gap by considering how the budget process can be improved.

### **Implications**

Collaborative budgeting is a significant topic because of the number of people that are both directly and indirectly affected by the nature of budgeting. This study considered the important needs of stakeholders of financial information that rely on accurate budgets to make decisions. The problem addressed in this qualitative case study was whether a collaborative approach to budgeting would affect the GAAP of relevance and reliability of the budget process. An accurate budget is also important to investors because investors are the ultimate owners’ of publicly traded organizations who demand a return on their investments (Guta, Monea, & Slusariuc, 2011). Investors also impact share prices when trading stock. Confidence in the organizations performance is directly correlated to investors and shareholder’s needs (Sopannah, 2012).

This research study contributed to positive social change by considering collaboration in budget preparation as a method of empowering and engaging employees at many levels. Active employees could become more involved which could possibly lead to the success of their organization. Collaboration and budget participation have a significant relationship with job satisfaction. Completing budgets without the assistance of operations management may result in an easier process for the corporate group to complete the budget. However, the lack of inclusiveness is not beneficial for the success of the organization. If a choice is made to actively include operations, budget quality will likely be stronger. This would include a collaborative

budget approach. This research study contributed to positive social change by considering the increase in employee satisfaction and potentially increased corporate profitability.

The preparation of a budget can take a considerable amount of time. Efficient use of time and energy in the workplace has a direct impact on the well-being of employees which also impacts social change. Budget preparation and inclusion can have a direct impact on employee satisfaction in the work place. There is a need for organizations to effectively manage resources. Participating in the formulation of a budget can make employees feel better and feel as though employees contribute to the organization. Many people join an organization if there is a sense of inclusiveness. If the employee is comfortable and feels part of a team, inclusiveness could be the reason for joining an organization (Schiff & Lewin, 1970). A collaborative approach can assist an employee to work better and smarter.

Employee satisfaction and morale can be impacted in many ways. Inclusion in the budget process is one small way. Whether the process is inclusive or not, employees are directly enmeshed (Schiff & Lewin, 1970). Most employees likely want to be part of an effective and efficient team that contributes positively to society (Wildavsky, 1975). The method of budgeting can affect this notion.

Budgeting is significant because of the direct impact on social change as the accuracy of budgets can have an impact on individual investments rate of return (Chen, Liou, & Huang, 2012). Many private investors own stocks either directly or indirectly through mutual or retirement funds and depend on stable stock prices for retirement purposes (Basu, Bynre, & Drew, 2011). Investors count on organizations to meet, or exceed, budgeted targets. If an organization budgets accurately, investors may have more confidence in that organization.

Greater confidence in an organization can impact share prices and perhaps dividend payout (Guta, Monea, & Slusariuc, 2011). It's possible that depending on the organization's budgeting approach the organization as a whole will provide more accurate information and in turn could have better operating results ( Frow, et.al., 2010).

There are several significant issues surrounding the topic of collaborative budgeting and process improvement. First, accurate budgeting and achieving forecasted results, is a significant measure to ensure reliability and credibility of operational efficiencies (Sivabalan, et.al, 2009). Intelligent, up-front choices, such as a collaborative approach to budgeting, appear to be a stronger alternative for a successful budget implementation (Rubin, 1988). Information regarding budgets and the feelings of the participants was gathered during the interview process. The participants were asked non-specifically about budget to actual results in order to determine the success of the budget approach.

Second, a practical benefit from this study is to consider that if a collaborative approach could produce more accurate and meaningful budgets. The significance of this study is evident as inclusive budgeting can also provide a sense of teamwork within an organization (Cyert & March, 1992). Studying a collaborative approach to budgeting is significant, since there are many integrated components related to budget preparation (Bonini, Hausman, & Bierman, 1997). The significance of the study is further enhanced to determine if collaborative budgets could instill a sense of ownership and responsibility in order for managers to achieve specific targets.

Finally, this study is significant because of the direct impact on employees. With a collaborative approach to budgeting, employees may take more ownership and assume more responsibilities within an organization (Brown & Cregan, 2008). Collaboration could indirectly

improve morale within an organization. The best practice strategy to develop from this study may be the establishment of new and improved operating guidelines to ensure employees are consulted when budgets are prepared, especially in their specific operational area. The resulting effect could be improved financial results.

Budgeting is performed by many corporations. Potential improvements, or innovative models to enhance the process, will be beneficial to those who are participating in the process and to those who utilize the budget reports to make decisions. Inventive theory in business is usually welcomed and actively encouraged to optimistically produce enhanced results (Peck & Reitzug, 2012). Exploring improvements to the budget process could benefit businesses in the short and long-term. Peck and Reitzug believed that improved business management theories eventually find their way into the classroom to become theory to be explored and studied further. This intent of this study is to enhance and augment business processes.

The significance of this research study from a practical position is evident as any improvements in the budgeting process could potentially provide a sense of teamwork within an organization. Significance of a research study often exceeds the application of existing research and theory (Tracey, 2010). Bonini, Hausman, and Bierman (1997) determined that a collaborative approach to budgeting should be considered, since there are many integrated components related to budget preparation.

The significance of this study was further enhanced with an examination of a collaborative approach to budgeting could instill a sense of ownership and responsibility in order for managers to achieve targets. Finally, this study is significant because I examined the notion

if operations are actively involved in the budget creation, whether the likelihood of success could impact financial results.

Employees are often not included in an organizations day-to-day decision making. There is a widening gap with respect to employee involvement and empowerment in many organizations (Mirvis, 2012). Many studies have been completed regarding budgeting theories and examinations. These include studies by Tanase (2013), Helmuth (2010), Kyj and Parker (2008), and Vaznoniene and Stonciuviene (2012). Their studies considered how budgets are developed, including the benefits of budgeting. However, there are few studies relating to actively engaging employees in the budgeting process from start to finish (Mirvis, 2012). In addition, another gap in the theory exists since there has not been an extensive study that explores the relationship between budget planning and collaborative preparation (Liu & Chang, 2011). While collaboration appears to be a meaningful method of preparing a budget, the number of firms that actually practice the approach appears to be minimal (Libby, 2010).

In order for a topic to be considered worthy or significant, the topic of research should be relevant, timely, significant, and interesting (Lazenby, 2013; Tracy, 2010). The topic of budget collaboration emerges from my years in the accounting field and from preparing budgets in a variety of methods. The topic is also relevant because of continuous improvement that is needed in all fields of business, including the accounting field. For accountants, improvements to the budget process is an interesting debate.

Since budgets are an essential component of an organization, implementing an improved budget process that is inclusive and collaborative will serve the organization in a positive way. A collaborative approach is recommended and should be implemented for most organizations in

order to enhance information asymmetry within an organization, improve employee morale, and provide a heightened awareness of how the organization functions with improved communication.

### **Conclusions**

Almost all organizations prepare annual budgets. Operations are usually held accountable for the budgets and for performance against budgeted numbers throughout the year. Consensus, from the literature review and interviews conducted, indicates that improvements are needed to the budget process. In order to achieve accurate forecasting, many people within an organization should be involved in the budgeting process. Those individuals with broad operational expertise should be consulted and included during the budget process. If more people are included, there is a meaningful collaborative budget. For the benefit of an organization, and for users of financial information, forecasting should not be dictated by a small group of people. Instead, it seems logical that, budget creation should be a collaborative approach in order for businesses and individuals to succeed.

Establishing a cohesive and cooperative, decision-making methodology that evaluates alternatives will determine if a financial model is a manifestation of the collaborative approach which should be considered when preparing annual budgets or monthly forecasts. Since operation managers are usually held responsible and accountable for actual results, in comparison to budgeted amounts; it could be inferred that operation managers should be included in the entire budget process. If operations is included, a collaborative approach to budgeting is required.

Therefore, management and operations should work together, in collaboration, to create a reliable and meaningful budget. Collaboration during the budget process is an active, alternative approach to budgeting that could help the process. Collaboration is a superior alternative to budgeting since the process will be more inclusive to employees who are held accountable for the financial results of an organization. Collaboration could provide a better budget document, make employees feel like part of a team, and likely benefit the organization. Collaboration will work.

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## Appendix A: Proposed Interview Questions

### Background:

When did the budget system start in this location? What is the history of the system? (Hofstede, 1968, p.318).

How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs? (Hofstede, 1968, p.319).

### Current Procedures:

To what extent is the budget procedure prescribed by the head office? (Hofstede, 1968, p. 319).

Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go? (Hofstede, 1968, p. 322).

Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact? (Hofstede, 1968, p. 322).

In general, who has the greatest say or influence on what goes on in this plant? (Hofstede, 1968, p. 323).

What parts of the budget system functions best? What parts functions least well? (Hofstede, 1968, p. 319).

### Future Improvements:

What are the most important improvements that could presently be made in this plant for budgeting? (Hofstede, 1968, p. 322).

What measures would you propose to increase the impact of the management information systems? (Hofstede, 1968, p. 322).

It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true? (Hofstede, 1968, p. 323).

In general, how much say or influence do you feel an operations manager should have on the budget? How would that impact the budget? (Hofstede, 1968, p. 327).

## Appendix B: Interview Results

	Question	Participant #1 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	Budgets are prepared annually, I am directly involved with the budget process.
2	When did the budget system start in this location? What is the history of the system?	The budget process usually begins 4 months prior to yearend.
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	Corporate decides the budget level, there is no consultation with operations.
4	To what extent is the budget procedure prescribed by the head office?	Corporate sets the goals and has an expectation that operations will achieve the goals that are set.
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	I have never attended nor been invited to any meetings.
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	No, I have not been involved
7	In general, who has the greatest say or influence on what goes on in this plant?	local ops has greatest say and influence in the plant
8	What parts of the budget system functions best? What parts functions least well?	When questions are asked (by ops)
9	What are the most important improvements that could presently be made in this plant for budgeting?	local ops does not receive an explanation of budget numbers - local does not understand
10	What measures would you propose to increase the impact of the management information systems?	more active involvement (by ops)
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Yes - ops departments look after self, should not be corporate driven. Own self-interest rather than corporate interest.
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should be involved in the budget - a lot. Doesn't work if not involved - no motivation, scared, lack of knowledge by corporate make positive budget if more involvement.

	Question	Participant #2 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	Moderate budgeting experience. Have experience with expenses only
2	When did the budget system start in this location? What is the history of the system?	6 months prior to y/e
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	mix of corporate and ops = usually corporate standard
4	To what extent is the budget procedure prescribed by the head office?	Corp sets goals, with expectations.
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Always attends meetings, talks with ops in areas to get input, enters the budget info to Excel. All line managers are included. Positive meetings
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	Yes - plant managers are able to explain. back and forth with questions could be either - depends
7	In general, who has the greatest say or influence on what goes on in this plant?	Local management and operations have the greatest say.
8	What parts of the budget system functions best? What parts functions least well?	Do work together which seems to work ok. More technical help - entering budget information. A few more meetings with ops so they truly understand what is needed - ops needs to understand financial info and dollar amounts
9	What are the most important improvements that could presently be made in this plant for budgeting?	something easier than Excel - have to enter own formula's to make sheets work
10	What measures would you propose to increase the impact of the management information systems?	communication could be improved for goals and assumptions listed - ex: gas prices
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	disagree - corporate interest seems higher than local interest
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops managers should have more say - they are responsible for the numbers and are held accountable for missing targets. better and more realistic numbers

	Question	Participant #3 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	10+ years of budget experience directly involved - prepares for local
2	When did the budget system start in this location? What is the history of the system?	6 months prior to y/e
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	Corporate sets targets, some consulting with ops - usually +10% from prior years do listen and co-operate with ops to get to results
4	To what extent is the budget procedure prescribed by the head office?	set goals to challenge budgets
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Attend meetings them meet with ops to review. Some push back for targets but see as a challenge - new business goals. positive - go back and forth with corporate - corporate sets insurance and some benefit amounts and provide assumptions
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involves in this kind of contact?	have a dedicated contact during budgeting
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has greatest say in plant
8	What parts of the budget system functions best? What parts functions least well?	Seems to work well - feel that corporate listens to explanations. The process starts early; last minute changes can cause some confusion. However, seems to work well - ops is involved and require them to defend and provide input.
9	What are the most important improvements that could presently be made in this plant for budgeting?	Better reporting is required for stats and key indexes to help understand the info that is required.
10	What measures would you propose to increase the impact of the management information systems?	stat info as mentioned - better reporting
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	yes - holds true - BUT here seems to have a balance and work together - good mgmt and ops respect and listen
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	should be involved = try to involve here, some better than others learning however time is a factor - only budget once per year, if involved, better numbers and ownership

	Question	Participant #4 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	Experienced, not really involved - corporate does the budget
2	When did the budget system start in this location? What is the history of the system?	see an employee
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	budget set by corporate, little input to what is included in the budget
4	To what extent is the budget procedure prescribed by the head office?	all corporate
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	do not attend meetings
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	not really involved - corporate does the budget
7	In general, who has the greatest say or influence on what goes on in this plant?	
8	What parts of the budget system functions best? What parts functions least well?	No say in the plan - hard to motivate, engage employees. Ops is responsible for meeting targets
9	What are the most important improvements that could presently be made in this plant for budgeting?	more involvement of ops, not sure of numbers sometimes
10	What measures would you propose to increase the impact of the management information systems?	Same response - more involvement - how can mgmt understand if not here - ops knows.
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	ops should be involved - maybe not in exact details but there should be involved. Ops knows, understands, sees, knows business, relations, trends (before mgmt).budget would be more accurate, could achieve and set reasonable targets

	Question	Participant #5 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	10+ years of budgeting, indirectly involved
2	When did the budget system start in this location? What is the history of the system?	in place - 2yrs change to access database
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corp sets targets and goals, almost all corp - ops can set numbers but has to be close to corp targets - how is up to location - have to be close
4	To what extent is the budget procedure prescribed by the head office?	almost all corp - ops can set numbers but has to be close to corp targets - how is up to location - have to be close
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Attend some meetings - usually 1 to start. 2 - 3 when finalizing ok - we present budgets, they ask questions/challenge numbers if needed. Assumptions are explained
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	yes, assumptions are explained
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has the greatest say
8	What parts of the budget system functions best? What parts functions least well?	Local ops does take control - does not always fully understand though more time to understand (4 months). Better reports, more support, lots of work, busy - budgeting is an afterthought
9	What are the most important improvements that could presently be made in this plant for budgeting?	additional training for ops and mgmt on budgeting
10	What measures would you propose to increase the impact of the management information systems?	
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	at times - no one wants to redo their budget when its complete - frustration
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	ops should be in control and have the final say could be an issue - budgets always too low

	Question	Participant #6 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	15+ years – manager, directly oversee - does not create the budget
2	When did the budget system start in this location? What is the history of the system?	developed 10 years ago - Excel to Oracle
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	Corporate sets targets and goals - up to ops to achieve results 5 months before year end. Corp decides, discussions with ops but ops need to achieve targets
4	To what extent is the budget procedure prescribed by the head office?	all be corporate - format, amounts, and files
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	only attend final presentation meetings - not development ask questions of field ops
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	
7	In general, who has the greatest say or influence on what goes on in this plant?	depends - I ask a lot of questions - usually of finance who they talk with ops
8	What parts of the budget system function best? What parts function least well?	do try to achieve goals and develop a strong budget time - training to really understand the numbers
9	What are the most important improvements that could presently be made in this plant for budgeting?	more time to prepare budgets - little more communication
10	What measures would you propose to increase the impact of the management information systems?	better reporting for analysis
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	sometimes - if people know the business and can articulate what they are presenting, with sound arguments, they are usually successful
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	ops should be involved more however, they do not always have access to big picture requirements - ex: shareholder and financial requirements, stronger, more meaningful

	Question	Participant #7 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	part of ops - for 4 years, involved but for own department directly - for own department
2	When did the budget system start in this location? What is the history of the system?	unsure about when started
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	budget by mgmt - says what to achieve - I have to achieve a number, corporate decides on the numbers
4	To what extent is the budget procedure prescribed by the head office?	all dollars by corporate
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	meetings are held with local managers only - we meet to see if the numbers are ok or not
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	mgmt never to me - ay be to managers - think managers make contact
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has the greatest say
8	What parts of the budget system functions best? What parts functions least well?	told what to do - I know the business and what I can do to succeed
9	What are the most important improvements that could presently be made in this plant for budgeting?	Let ops - me - set a real budget that will be successful. I know what is going on in the field
10	What measures would you propose to increase the impact of the management information systems?	better training - not everyone knows Excel
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	no - if they let us do what we know we can do - we will be a team
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	if more ops involved - better for company if more ops involved - better for company

	Question	Participant #8 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	many years with budgeting experience, directly involved
2	When did the budget system start in this location? What is the history of the system?	In place since an employee. Start about 5-6 months in advance - most in August
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	budget is proposed by corporate, corporate is responsible
4	To what extent is the budget procedure prescribed by the head office?	Corporate is responsible
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Attend meetings. Also have to explain monthly variances to the budget through the year for budgets, management does want explanations as to how the budget was developed. We have to support and prove the numbers
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has the greatest say
8	What parts of the budget system functions best? What parts functions least well?	We have a say in the numbers. Corp challenges, but we can support a lot of work
9	What are the most important improvements that could presently be made in this plant for budgeting?	More time and training to complete the budget. Little more effort by ops
10	What measures would you propose to increase the impact of the management information systems?	better reporting - little more say
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Agree - everybody out for their own. However, good managers will stop that if informed and communicate to ops and corporate
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	ops should have a say in the process, ops should be called upon to be involved - they know the business so they should be asked questions

	Question	Participant #9 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	not much experience with budgeting not directly involved
2	When did the budget system start in this location? What is the history of the system?	best time to start is 6 months in advance - the situation can rapidly change
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate seems to dictate the budget corporate seems to dictate the budget
4	To what extent is the budget procedure prescribed by the head office?	most by corp however, locations are also considered
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	no
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	
7	In general, who has the greatest say or influence on what goes on in this plant?	local store managers
8	What parts of the budget system functions best? What parts functions least well?	the local managers are responsible for their own stores, they take responsibility cannot account for additional employees during busy or peak seasons. They are told to stick to the budget and use the employees that they have already.
9	What are the most important improvements that could presently be made in this plant for budgeting?	make sure that store managers are consulted
10	What measures would you propose to increase the impact of the management information systems?	store managers are there day-to-day, they know the business and should have the input to the budget
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	probably true. Managers do what they need/want to do at their own store.
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	operations should have a say, they have the incentive because of bonus plans to achieve targets. Should have an idea of what is happening and then a say better budget if more involved.

	Question	Participant #10 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	not much experience with budgeting provides accrual and payroll numbers
2	When did the budget system start in this location? What is the history of the system?	budget should be started 15 months before and constantly updated
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corp provides budget info
4	To what extent is the budget procedure prescribed by the head office?	corp provides budget info
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	no
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	restaurant managers
7	In general, who has the greatest say or influence on what goes on in this plant?	restaurant managers and regional managers
8	What parts of the budget system functions best? What parts functions least well?	the local managers know the dollar amounts - those who know the business are familiar. Those who do the budget should be rewarded and credited, not always fair, not always proper recognition with who does what
9	What are the most important improvements that could presently be made in this plant for budgeting?	0
10	What measures would you propose to increase the impact of the management information systems?	
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	depends - it depends on the individuals integrity. If they are honest and seasoned, the budget will likely be more accurate.
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	restaurant managers should be included - that way they know what is required with respect to forms and other requirements of the corporate office if operations is involved, they will likely have a better budget. Depends on if they want to build a name for themselves or not

	Question	Participant #11 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	have about 10 years of budgeting directly involved - provide templated to ops
2	When did the budget system start in this location? What is the history of the system?	about 4 months prior to y/e
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate sets the parameters/outlines/targets
4	To what extent is the budget procedure prescribed by the head office?	all by corporate
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Yes - attend meetings with management and with ops. they go well - explain variances as needed - usually the meetings are positive - have time to explain numbers
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	yes - as above - explain numbers as needed
7	In general, who has the greatest say or influence on what goes on in this plant?	ops have the greatest say
8	What parts of the budget system functions best? What parts functions least well?	Work together with ops and management. Are consulted and can defend amounts - we are given a chance. not enough time to train ops for them to fully understand
9	What are the most important improvements that could presently be made in this plant for budgeting?	work more closer in ops, try to get ops to give me their amounts - they tend to get a little lost but are doing better
10	What measures would you propose to increase the impact of the management information systems?	better reports
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	sometimes - if ops can defend and understand expectations, they will do better
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	op should have more say, try to have ops have more say - by making them prepare the budgets - if they don't prepare the budget, they don't take responsibility for the numbers

	Question	Participant #12 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	budgeted for 5 years directly involved, helped ops mgr
2	When did the budget system start in this location? What is the history of the system?	July or August - did updates as needed also
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate and the regional determined the budget amounts
4	To what extent is the budget procedure prescribed by the head office?	all by corporate and the regional office
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Yes - attended meetings in order to support the ops managers who were responsible for the budgets meetings were positive - there was some push back to amounts but could always defend the amounts determined.
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	Yes - variance explanations were required.
7	In general, who has the greatest say or influence on what goes on in this plant?	ops have the greatest say
8	What parts of the budget system functions best? What parts functions least well?	The people who were involved had input, ops and sales also had a say in the final numbers and were included in the process expectations of the regional group were sometimes not clear.
9	What are the most important improvements that could presently be made in this plant for budgeting?	0
10	What measures would you propose to increase the impact of the management information systems?	make sure that those who are responsible understand all the pieces of the puzzle that are needed to pull the document together
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Yes agree - most outspoken get their way. They fight for their piece of the pie and not many departments like to share
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	There's a positive impact if there is a lot of say in the process - especially if it's about their facility. Experience is important if a location is not profitable, need to determine why and need someone with knowledge to prepare the budget and make improvements as needed.

	Question	Participant #13 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	10+ years of budgeting directly involved, works with ops to determine amounts
2	When did the budget system start in this location? What is the history of the system?	starts about 6 months prior - understand assumptions and fixed amounts
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	Corporate sets targets, send to locations for them to complete even though corporate sets targets. Usually run some changes through overhead
4	To what extent is the budget procedure prescribed by the head office?	Corporate sets targets and expectations - usually an increase in revenue is expected and fall to bottom line
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Yes - attend meetings to explain and to defend the budget amounts usually go well. Corp listens to what is said, some push back but do appreciate what we have to say.
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	
7	In general, who has the greatest say or influence on what goes on in this plant?	ops have the greatest say
8	What parts of the budget system functions best? What parts functions least well?	we have ops fill the budgets - that way they know and will take ownership of the numbers ops sometimes do not try to understand or assumes that the final budget does not belong to them
9	What are the most important improvements that could presently be made in this plant for budgeting?	keep ops engaged all year and make sure that they really understand the numbers
10	What measures would you propose to increase the impact of the management information systems?	as above
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Yes - as long as ops understands the business. Most do and they will work to achieve the budget goals
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should be involved with the entire process that way, they will take ownership and responsibility and will have a positive impact on the budget. Probably better and more reliable.

	Question	Participant #14 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	3 years of budgeting - directly involved with budget - salary amounts
2	When did the budget system start in this location? What is the history of the system?	
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	management and the dean would usually set the budget; dean would make recommendations but the department heads had say of the budget - could the dollars fit into the budget
4	To what extent is the budget procedure prescribed by the head office?	all by the main office - financial constraints based on funding
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	no - did not attend meetings
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	The departments would have to change the budgeted amounts if the numbers did not meet the targets or constraints.
7	In general, who has the greatest say or influence on what goes on in this plant?	
8	What parts of the budget system function best? What parts function least well?	Dean would listen to the arguments since the department heads are the experts in their fields and knew what they needed. Constraints would limit flexibility - if no flexibility, it would be bad.
9	What are the most important improvements that could presently be made in this plant for budgeting?	no budget reporting to speak of - no comparisons
10	What measures would you propose to increase the impact of the management information systems?	0
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	agree to a point - take care of self, first which is not always the best approach
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should have a lot of say and influence. Have to have a balance - could stretch the truth - take away from someone else so have to be careful, the ops managers know how the entity works and in turn know the budget, they know the upgrades so they can/should be involved

	Question	Participant #15 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	10 years +directly involved for specific group
2	When did the budget system start in this location? What is the history of the system?	budgeted throughout the year - as changes occurred
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate = not much guidance
4	To what extent is the budget procedure prescribed by the head office?	budget amounts were set by corporate
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Met with a VP to discuss budgeted amounts - usually no changes were needed, VP went to corp. Overall meetings were fine
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	the explanations were provided beforehand - usually no pushback
7	In general, who has the greatest say or influence on what goes on in this plant?	regional has most say - local - not their forte
8	What parts of the budget system functions best? What parts functions least well?	Worked on budgets monthly. Ongoing process that local managers took responsibility for. Local managers are not properly trained and are not expected to understand the nuances of budgeting nor the big picture. Regional are more in tune with big picture
9	What are the most important improvements that could presently be made in this plant for budgeting?	Should be challenging the regional and local managers to have continuous improvement - what do I need to do to get there? That's the question that should be asked
10	What measures would you propose to increase the impact of the management information systems?	have very good reports - these reports are shared with local management - usage reports, sales, comparisons - all help to run business
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	sometimes - entitlements can cause an issue and, corporate will sometimes spend more money (invest) if they make more money
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Feels that regional people may or should know more about the budget than local general manager. Gave a breakdown Regional 80%/Local 20% - regional understand larger picture focus more attention on the moneymakers but should realize that others need assistance and more guidance as well

	Question	Participant #16 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	over 20 years of accounting and budgeting experience directly involved with budgeting
2	When did the budget system start in this location? What is the history of the system?	Usually begin budgeting around July-August. Takes a few months
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate proposed budget levels work with ops in order to determine best alternatives and to make a better budget
4	To what extent is the budget procedure prescribed by the head office?	Targets are set by corporate office. Ops are encouraged to meet and are expected to be close to the budget
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	always attend meetings for variances and presentations usually these meetings go well
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	No, mgmt goes to ops for variance explanations.
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has the greatest say in the plant
8	What parts of the budget system functions best? What parts functions least well?	When ops is involved in the process, the process seems to run the smoothest. When some corporate people try to force numbers to ops without any explanation.
9	What are the most important improvements that could presently be made in this plant for budgeting?	Have operations involved from the beginning of the process all the way through to the end. Need to partner with operations to run effectively
10	What measures would you propose to increase the impact of the management information systems?	Gave more input from operations. They need to work together. Mgmt needs to listen to operational suggestions - they have good suggestions.
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Could be true, I think it depends on the strength of both ops and management. It also depends on the knowledge of the business.
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	operations should have a significant impact on the budget - they are responsible and held accountable for the numbers I think that would be a positive impact on the budget - ops understands the numbers, knows the business so they should have involvement with the creation of the budget.

	Question	Participant #17 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	over 10 years of experience with financial statements directly involved
2	When did the budget system start in this location? What is the history of the system?	usually 4-5 months before month end
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate sets the proposed amounts, not much consultation with ops, almost all corporate
4	To what extent is the budget procedure prescribed by the head office?	Targets are set by head office.
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	yes, attend meetings with ops and mgmt., the meetings are usually positive, some push back and questions about how numbers were developed
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	No, they usually contact ops each month end - during the review.
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has the greatest influence
8	What parts of the budget system functions best? What parts functions least well?	Seems to be best when ops is working with mgmt. If they are working together, seems to go really smooth. when people try to do the budget on their own, when there are formula's that do not make sense, when there is no communication
9	What are the most important improvements that could presently be made in this plant for budgeting?	Have ops be involved at the start. During the assumption phase, operations should be included - all the way through to the end of the process.
10	What measures would you propose to increase the impact of the management information systems?	Keep ops in the loop and make sure ops is aware of expectations from the beginning.
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	I think that depends on the integrity of the people involved. Also, it depends on the experience of those involved
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should be involved and be part of the process in order to have a good budget the more ops is involved, I think that the budget would be more accurate - possibly less variances also

	Question	Participant #18 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	not much experience - 2 years at the corporate level, did start to finish - directly involved
2	When did the budget system start in this location? What is the history of the system?	completed Aug - Oct
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	Developed by corporate and me. I put formulas into the budget template and try to make it easier for the field - some formulas did not work
4	To what extent is the budget procedure prescribed by the head office?	All by corp. I am not involved in the meetings - they were confusing at times, I just put down the information
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	I try to explain as best I can
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	I take initiative, line managers were not involved when I prepared the budget. I don't think line managers understand
7	In general, who has the greatest say or influence on what goes on in this plant?	
8	What parts of the budget system functions best? What parts functions least well?	The spreadsheets that I created. I made them complex by adding lots of formulas and tabs ops is confused. - my numbers are correct, ops didn't like the explanations that were provided
9	What are the most important improvements that could presently be made in this plant for budgeting?	Let me do the budgets so there are fewer questions. I know how to do it and what is needed I don't have to explain any assumptions
10	What measures would you propose to increase the impact of the management information systems?	let corporate take more ownership of the budget process -ops can just check
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	I don't understand that questions
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should have responsibility but I do fine without their input. They don't seem to understand so I just do it.

	Question	Participant #19 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	about 15 years of budgeting directly involved with all aspects
2	When did the budget system start in this location? What is the history of the system?	usually in August, I challenge ops to start thinking about sales and additional info
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	budgets are proposed by corporate however, I challenge ops to create their own if ops can create their own budget, they can defend what they have budgeted and stand by their numbers
4	To what extent is the budget procedure prescribed by the head office?	targets are by corporate
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Attend meetings and encourage ops to do the same. I push ops to explain and defend their budgets. That way they understand the process and how it all works.
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involved in this kind of contact?	
7	In general, who has the greatest say or influence on what goes on in this plant?	Ops has greatest say - it's their budget.
8	What parts of the budget system functions best? What parts functions least well?	Try to get ops more involved, have them take the lead for amounts, it is their numbers and they have to explain and defend. Try to get ops up to speed - only budget once per year so there is a learning curve.
9	What are the most important improvements that could presently be made in this plant for budgeting?	more active involvement ensure that ops knows what is expected
10	What measures would you propose to increase the impact of the management information systems?	found that if you give ops the tools, they know the business best and will create an accurate budget
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Could be - if you have dishonest people or people who do not understand.
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should have the most say. Need to communicate also so ops understands assumptions and any other budget issues it defeats the purpose if mgmt or corporate does the budget - they (corp) doesn't understand the business and probably will not have a very good budget

	Question	Participant #20 Response
1	What is your experience with budgeting? Are you directly or indirectly involved with budgeting?	almost 20 years directly involved in the day-to-day budgeting
2	When did the budget system start in this location? What is the history of the system?	usually in the fall
3	How is the new budget developed? In what period? Who proposed budget levels? Who is consulted? Decides? Signs?	corporate or the head office usually sets the levels corporate does include operations and partners with their budget process
4	To what extent is the budget procedure prescribed by the head office?	numbers are proposed by corp.
5	Do you ever attend meetings of line management where budget or standard variances are discussed? How do these meetings go?	Yes, always included in the meetings, actively involved in the process the meetings are usually positive. Corp challenges ops to meet targets but does listen to opinions
6	Does management ever come to you to get explanations about figures? Or do you go to them? Who, in general, takes the initiative for these contacts? Which line managers are involves in this kind of contact?	Sometimes, usually corporate goes to ops for explanations. I support ops, corporate will take the initiative
7	In general, who has the greatest say or influence on what goes on in this plant?	ops has the greatest say, they are held accountable
8	What parts of the budget system functions best? What parts functions least well?	When ops is involved, that seems to work best, they understand the numbers and the business. Their input is critical sometimes confusion with budgeting. We don't always understand assumptions to the budgets
9	What are the most important improvements that could presently be made in this plant for budgeting?	More involvement of operations in the budget - they should take responsibility from the beginning.
10	What measures would you propose to increase the impact of the management information systems?	more operational involvement - let them take the lead or at least partner with management
11	It is sometimes said that budgeting leads to departmental interest prevailing above the general interest. Do you feel this holds true?	Sometimes - it depends on how knowledgeable ops are about their numbers. If ops really understands the business, they can communicate much better and the entire corporate interest will be addressed.
12	In general, how much influence do you feel an operations manager should have on the budget? How would that impact the budget?	Ops should be involved and work with management to create the budget, this would help with a better document and could be more meaningful or achievable.