

**Budgeting, Budgetary Control and Performance Evaluation: A Case Study of
Allterrain Service Group (ATS).**

By

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**A thesis submitted to the Institute of Distance Learning, Kwame Nkrumah
University of Science and Technology in partial fulfilment of the requirement
for the degree of (CEMBA)**

**COMMONWEALTH EXECUTIVE MASTER OF BUSINESS
ADMINISTRATION**

Institute of Distance Learning, KNUST

September, 2012

DECLARATION

I hereby declare that this submission is my own towards the Commonwealth Executive Master of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgment has been made in the text.

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DEDICATION

This work is dedicated to my lovely wife, whose love and support has contributed invaluable towards my education.

KNUST



ACKNOWLEDGEMENT

I wish to acknowledge with great thanks and gratitude, the varied support and help I received in the preparation of the dissertation. However, it is only possible to mention just a few.

First and foremost, I give thanks to God Almighty for seeing me through to the completion of this programme. My sincere thanks go to my lovely and understanding wife Celyna Kokui Ahiaku Kpedor and my two wonderful kids, Nalikem Akushika Kpedor and Nayram Korblah Kpedor for all the support they offered during my course, not forgetting my late father who passed-on during the course of this program.

My gratitude goes to my supervisor, Mr. William M. K. Adjimah for his tremendous help and guidance, patience and understanding during the course of this dissertation. My thanks also go out to other lecturers and my group members, especially Jonathan Ennin for making this study a memorable experience for me.

I also thank the entire staffs of ATS especially Sanjay Narain (Chief Executive Officer), Felix Biga (Chief Finance Office) and his Deputy Paul Kisseih who granted me the weekend off to go through this course and more especially Edward Laryea for his morale support and encouragement.

Finally, I would like to thank all friends and colleagues for their support and guidance throughout the course.

ABSTRACT

The prevailing uncertainties in Africa business environment today, most managers and stakeholders must be poised to compete favourably under these rapidly changing conditions. In order to survive under these environmental complexities and vagueness, managers and stakeholders of the hospitality industry need a sharp tools, proven management techniques to forecast the major changes which are likely to affect the business while they choose future directions and dimensions of resources needed to attain selected goals. This research was work conducted with special reference to Budgeting, Budgetary Control and Performance Evaluation system of Allterrain Services Group with the view to ascertain the role that the budget plays in the company and how the key actors of the budget engage its uses in their daily operational activities. Budget as a profit planning device sets standard of performance of managers, while budgetary control is a tool implored by management to keep track of actual performance to ensure budgeted standards are met. In the course of this research work 44 workers at various managerial levels were taken as sample population. A well designed questionnaire was used to obtained data through personal interview and administration of the questionnaires, both qualitative and quantitative methods were used in analysing the data collected, secondary data source was also used. The analysis of the findings conclusively indicates that most of the key actors do not work with the budget due to lack of proper induction and proper role profile of the office they occupied.

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CHAPTER ONE

THE PROBLEM AND ITS SETTING

1.0 Introduction

Following the uncertainties prevailing in Africa business environment today, managers and stakeholders must be poised to compete favourably under these rapidly changing conditions. In order to survive under these environmental complexities and vagueness, managers and stakeholders of the hospitality industry need sharp tools, proven management techniques to forecast the major changes which are likely to affect the business while they choose future directions and dimensions of resources needed to attain selected goals. Budgetary control as a proven management tool (Chandler, 1990) helps organization management, enhances improved performance of any economy in a different way. Its primary function is to serve as a guide in financial planning operation; it also establishes limits for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying, expanding, eliminating or restricting present practice (Musselman and Hughes, 1981).

Budgeting and control entails a distinct pattern of decisions in an organization which is capable of determining its objectives, purpose or goals, and how these goals are achieved by establishing principal policies and plans. However, the inability to recognize the problem concerned and fixing a boundary of investigation creates an obstacle for the successful implementation of budgeting and control. Some organizations only look for narrow ranges of alternatives which they arrive at from their past experiences and present situations, other management levels even avoid

long-term planning and budgeting in favour of today's problems thereby making the problems of tomorrow more severe (Steward 1993). The foregoing reflects on the need for organizations to set up a formal mechanism for scanning its environment for opportunities and give early signs of future problems, this course of action will improve the system of budgeting and control, resulting in an a priori expectation of improved performance in the hospitality industry and in ATS for that matter.

1.2 Background of the Study

This research intends to deep-dive and gain deeper understanding of how budgeting affects performance measurement of Allterrain Services Group, what kind of budgetary control measures have been put in place and how effective the control measures are. There will be two areas of concern in this study, that's budgeting in business organization (catering/ hospitality industry) for that matter, and how performance is measured or evaluated against the budget.

The primary characteristic of businesses all over the world involves setting goals to which money is connected or allocated. From these goals, specific objectives are delineated and funds are subdivided among them. Budgeting also provides information and data of past performance and thereby proceeds to allow for meaningful comparisons between 'expected' and 'actual' progress. Adjustments are at times made to the current budget or the future budget preparations cycle to close any performance gaps that may exist. In all, the budget provides a vital tool for project evaluations, for any ad hoc measures to be taken if the need arises which is a vital tool for decision makers, more especially the management and main board members of the organization.

To narrow it down to ATS as a corporate entity, budgeting will serves as:

- i. An indicator of costs and revenues that are linked to the daily operational activities of the project managers in the various camps of operation
- ii. A way of providing information and supporting management decisions throughout the year
- iii. And a means of monitoring and controlling the business, particularly analyzing the differences between the budget and actual.

The geneses of ATS budgeting always originate from the scope of work (SOW) in the tender document of the client. And tender budget is then designed form this scope of work which inform management decision on the viability of the prospective project, whether to bid or not to bid. The source of revenue on this budget emanate from the senior and junior catering sales, shop and bar sales, expediting sales, management fixed fee, party catering sales, room, offices and recreational centres cleaning and employees charged out, whilst the cost of sales normally, is a constitute of senior and junior catering consumptions, shop and bar consumption, expediting expenses, party catering consumption and that of cleaning. Also included in the cost of sales are food spoilage, stock variance, and non-stock consumables. The scope of work mainly centred on:

- i. The number of senior and junior mandate
- ii. The senior and junior casual meals to be served
- iii. Whether there will be bar and commissary services
- iv. The number of room to be cleaned
- v. The total area per square meters to be cleaned for offices and recreational centres.

This scope of work gives an idea as to the calibre and number of employees needed to execute the task imbedded in the scope of work, how many local and foreign chefs to be recruited depending on the multi-cultural nature of the camp and the type of menu that the client requested. Camp or Project managers needed for the project are most at times left at the discretion of ATS or at times are a requirement from the client. The number of expatriates on a particular project informs the management fixed fee to be charged.

The budget CaPex enumerate the type of assets that is required of the project depending on the type of project and facility which are readily available and this will in effect inform ATS about the amount of mobilization fee that will be needed to procure the assets. There are two types of mobilization fees

- i. A mobilization fee is given for the acquisition of the assets that would belong to the client at the end of the contract;
- ii. A mobilization fee will be paid back on the monthly basis which is deducted from the monthly invoices where the assets will be owned by ATS.

Budgeting and Accounting have different meaning among managers and planners and the personnel who use these. Both are critical components that must interact to achieve the goals and objectives of the organization. Accounting is a system use to record, classify, and summarize business operation (Meigs 1996). The role of keeping the financial information and on-going analysis necessary to provide management and outside interest with the facts necessary for decision making is also considered (Grig, 1988). Relying on certain standard and Generally Accepted Accounting Principles (GAAP), the accountant of the company will develop and report data to measure firm performance; to assess its financial position, to comply

with and file report needed by security regulators; to file and pay taxes; and to prepare a balance sheet, financial statements and the cash flow of the company to recognize sales revenue, expenses etc. when they incurred. Therefore, accountants provide accounting information used for individuals external to an organization such as shareholders, customers, suppliers, tax authorities as well as for employees and the internal managers of the organization. Financial accounting will ensure that the assets and liabilities of the business are properly accounted for, and provide information about the profits etc. to shareholders and other interested parties. In contrast, management accounting system provides information specifically for the use of managers within an organization to assist in decision making (Ryna et. al 2002). Based on classification above, budgeting is, traditionally, classified under management accounting domain by the existing accounting literature. In this sense, budgeting is a narrower concept with more specific focus. (Hrøngren 2002) budget focuses on a forthcoming accounting period, rather than on the past period on which accounting is based to make records. Therefore, budget planning focuses more on a forecast purpose to estimate what is likely to occur and how organizational resources are allocated to realize future operations. Moreover, another important aspect of budgeting will be that of the feedback, in which both the plan and the action will be compared, providing the opportunity to revise future budget in line with experienced.

Budgeting in finance literature is concerned with the planning and management of firm's financial needs, concerning the alternative sources of and cost of finance. The financial needs of the firms are embodied in capital budgeting decisions on projects within the firm. The money flow are from the capital market into the firm and into the project, the project in turn generate funds which are used to pay interest on loans

and repayment, as well as to fund non-capital costs. Any surplus can be used either as a profit/dividend payments or re-invested.

As a common example of a financial plan in management accounting, however, budgeting pays attention to the administrative function internal to a firm, especially in terms of planning and control. Budgeting is viewed as a critical element of management as mentioned by a number of scholars (Anthony, 1965; Flamholt, 1983; Otley and Pollanen, 2000; Otley, 2003). Given the control-required standards against which performance could be assessed, the budget will be the natural standard of comparison. This leads to using the budget with an annual planning period; in practice in many organizations this was subdivided into quarters or sometimes months, as the fundamental building block of the control measure, but this happens quarterly in ATS.

Budget provide a basis for directing and evaluating the performance of individuals or segment of organizations and also will structure the decision making environment (Bruns & Waterhouse, 1975), so they appear to be appropriate as a control devices impacting performance of organizations. Therefore, a considerable stream of research (Schiff & Lewin, 1970; Onsi, 1973; Brownell, 1985; Merchant & Manzoni, 1980; Kren, 1992; Van der Stede, 2000) emphasize the function of budgeting in management control process and sought to explore the influence of budgetary controls on organizational behaviour. Shield and Young (1993) define budgetary participation as the involvement of managers in the budgetary process and their influence over setting budgetary targets. They state that participative budgeting is a control response to the need by organizations to gain an understanding of their

environment, to assist in problem solving, more importantly to promote information sharing among administrative levels and finally to enhance performance.

1.3 Problem Statement

There is no gainsaying the fact that ATS assess the viability of each project based on comparing the actual against the budgeted from which the decision are made either to kill the project or to revisit the negotiation table for a better deal. Bonus to motivate employees to put up their best in the operation which is also based on performance measurement is also not left out. The Key Performance Indicators (KPIs) are also centred on the budget. The budget therefore, for ATS is the engine of decision making, the core pillar around which every decision on any project is derived. Sensing the sensitivities of the role of the budget in ATS operation and the decision-making body, it is incumbent on the budget manager to get very reflective budget information that throws more light on the actual situations on the ground.

This research therefore is, set out to investigate factors contributing to budgetary ineffectiveness. The study examines the budgeting, budgetary control and performance at ATS which gives rise to the following questions:

- i. How is the budgeting participatory process at ATS?
- ii. Do managers neither understand the principles underlying the budget nor understand the importance of budgeting and budgetary control in relation to their projects.
- iii. What are the manager's approaches to information requested to address their budget challenges.

- iv. How do the project managers link their daily operational costing to the benchmark set in the budget?
- v. How do managers factor the addendum in relation to changes in scope of work to the budget?

Meanwhile the lack of budget information flow from the project managers as an input into the budget process can be very grave to the company decision. A new interactive approach to information collation should therefore be adopted, next alternative could be site visit by the Budget Manager as well as to work with the Project accountants for the update; engage project managers in education on the relevance of budget to project performance and its effect on bonus payment. Hence this exercise is meant to go beyond the financial report and investigate the vast differences between the operating budget and the actual, the role of project managers in the budgeting process and the understanding of the budget and the budgetary control measures by the project managers.

1.4 Objectives of the Research

The main purpose of this study is to establish the relationship between budgeting, budgetary control and performance measurement/evaluation. The exploratory inquiries into the activities of the project managers will be an attempt to discover or identify potential variables regarding the budgeting and performance relationship. The studies compare the actual performance to the budgeted and try and relate the gaps to the theoretical budget. The objectives of this study is:

- i. to explore the theoretical impact of budgeting on performance measurement in ATS

- ii. to establish the relationship between a change in scope and theoretical budget
- iii. to unravel the essence of participatory budgeting and
- iv. finally, to further investigate how effective are the budgetary control measures in budgeting

1.5 Research questions:

From the problem statement above, the central question to this study is to understand ‘how the change in scope of work affects theoretical budget and performance evaluation? There are four sub questions to derive from this:

- i. what are the budgeting procedures in ATS
- ii. how do we define the role of project managers in the budgetary procedures
- iii. what are the fundamental causes of changes in scope of work
- iv. how do we measure performance in ATS

1.6 Scope of the Study

In order to understand the challenges of project managers in participatory budget process, this dissertation will focus and be limited to project managers working in various projects in ATS.

1.7 Significance of the Study

The significance of this study will enhance and contribute to realistic budget and budgeting procedures in ATS. It will improve and present a clearer picture of daily activities of the project managers on site. This exercise will help ATS to be in a better position to take a decisive decision on the futuristic state of any project. Human resource allocation and project managers reshuffling among the group will be

based on the performance of the project and this research will help management in effective delivery of this task.

This research will also help ATS management to include certain clauses in the contract during their round-table negotiations, more especially when scope of work is hike in a tender document of the client in terms of meal numbers for which the benefit of economy of scale is awarded, ATS should be able to withdraw such benefit and give a full rates when the actual turn out to be -10% of the numbers budgeted for after the contract is awarded. This research will also help investors to have confidence in the budget figures because of its participatory process that will show the true picture of situation on the ground in terms of cost and revenue and the types of corrective measures been put in place to shape and direct the shortfalls in the operation.

It is therefore envisaged that the outcome of this finding will contribute tremendously to the search of solutions to the crippling effect on budget, budgetary control and performance evaluation/measurement. This research will trigger a review of project manager recruitment policy, a review of job description of project accountant to be an agent of budget information delivery on each project.

1.8 Organization of the Study

This dissertation is organized into five (5) chapters. The chapter one (1) covers the introductory aspect of this research and gave an in-depth knowledge of why this topic worth investigating. Chapter two (2) will look at the theoretical framework of the necessary literature review. This will basically focus on existing theories and knowledge related to budgeting and performance measurement in ATS. The

researcher will then attempt to find the impact of budgeting on performance while considering other potential variables interference. Chapter three (3) will explain the chosen methodology design for all empirical questions in detail. It will also include the rational for chosen a combine research method; deciding on the methods of data collection and what data have to be collected; will describe the function of qualitative data and quantitative data in this study; will discuss how to provide questionnaires and conduct interview. The fourth (4th) chapter will represent a comprehensive presentation of data analysis whilst chapter five (5) which is the last chapter will summarize the contribution of this research to the existing budgeting and performance literature and ATS budgetary practice, pointing out the limitations of this research and also give recommendation for future research.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Budgeting is a familiar and very important type of short range plan; a plan that is expressed in a numerical terms how the resources of a company can be distributed to attain a desired profit. Since working out a budget force a company to determine how much money will be coming in, what cost will be incurred, it serves a dual purpose to become a controlling as well as a planning operation. And since the budget is a guideline to what will take place over a lengthy period of time, a great deal of careful thought must go into its planning. (Agu Chika E, ACC/2006/244)

In this chapter, researches of the theoretical literature are carried out by scholars on Concept of Budgeting and Budgetary Control style are reviewed and discussed. There is also a presentation of the theories on main types of budgetary, the principal budgets factor/forecasting and problems associated with budgeting and control. Furthermore, the relationship between variance analysis and performance is explored.

2.1.1 Literature Review and Theoretical Framework

According to an Article published in the European Journal of Economics. Ishola Rufus Akintoye (2008) “Budget and Budgetary Control for Improved Performance: A Consideration for Selected Food and Beverages Companies in Nigeria”); ‘Budget’ and ‘Budgeting’ are concepts traceable to the bible days, precisely the days of Joseph in Egypt. It was reported that ‘nothing was given out of the treasure without a written order’. History has it that Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine.

Budgets were first introduced in the 1920s as a tool to manage costs and cash-flows in large industrial organizations. Johnson (1996), states that it was the 1960s that companies began to use budgets to dictate what people needed to do. In the 1970s performance improvement was based on meeting financial targets rather than effectiveness, companies then faced problems in the 1980s when they were not willing to spend money on innovations in order to stay with the rigid budgets, they were no longer concerned about how customers were being treated, only meeting sales targets became essential.

Budgeting in business organization is formally associated with the advent of industrial capitalism for the industrial revolution of the eighteenth century, which presented a challenge for industrial management.

Glautier and Under (1987) state that ‘the emergence of scientific management philosophy with its emphasis on detailed info’ as a basis for taking decision provided a tremendous impetus for the development of management accounting and indeed budgeting techniques’.

However, budgeting at the early stage of its development was concerned with preparing and presenting credible information to legitimize accountability and to permit correct performance evaluation and consequently, rewards. Over the years, the function and focus of budgeting has shifted considerably and business organization become more complex and their environment becomes dynamic coupled with the emergence trend, the term budget and budgeting have been differently defined and examined by various scholars in several ways.

Omolehinwa (1989) defined a budget as a plan of dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by the participants and the environments, indicating how the available resources may be utilized, to achieve whatever the dominant individuals agreed to be the organization's priorities. The impressive thing about this definition is that, it recognizes the constraint imposed on the budget by the other participants who are to ensure that the objectives and targets enunciated in the budget are achieved.

Pandey (2003) defines budget as a short term financial plan. It is an action plan to guide managers in achieving the objectives of the firm. Lucey (2003), in his formal definition defines budget as 'a qualitative statement, for a defined period of time, which may include planned revenue, expenses, assets, liabilities and cash-flows. A budget provides a focus for the organization; aids the coordination of activities and facilitates control whereas control is generally exercised through the comparison of actual and flexible budget'.

Lucey (2003) in his recent definition of budget defines as 'a quantitative expression of a plan of action prepared for the business as a whole for departments, for functions such as sales and production or for financial resource items such as cash, capital expenditure, manpower purchase, etc.

The process of preparing and agreeing budgets is a means of translating the overall objectives of the organization into detailed, feasible plans of action. 'Welsh (2003) opines that budgeting, is the only comprehensive approach to managing so far developed that, if utilized with sophistication and good judgment, fully recognizes the dominant role of the manager and provides a framework for implementing such fundamental aspects of scientific management as management objectives, effective

communication, participative management, dynamic control, continuous feedback, responsibility accounting, management by exception and management flexibility.

The Tennessee board of Regents (2006) defines budget as the process whereby the plans of an institutions are translated into an itemized, authorized and systematic plan of operation, expressed in any currency for a given period.

Budgeting, both at management level and operational level looks at the future and lays down what has to be achieved. Control checks whether the plans are being realized and put into effect corrective measures, where deviation or short-fall is occurring. (Egan, 1997) Egan emphasized that without effective controls, an enterprise will be at the mercy of internal and external forces that disrupts its efficiency, and be unaware; such enterprise will be able to combat such forces. When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company.

Continuous comparison is made between the actual and budget results, which are intended to either secure, through action of managers, the objectives of policy or to even provide a basis for policy revision. Morgan (1997) opines that the budget had grown beyond a financial tool. It is above all managerial tool; in essence, it is the best tool for making sure that key resources, especially performance resource are assigned to priorities and to results. It is a tool that enables the manager to know when to review and revise plans, either because results are different from expectation or due to environmental, economic conditions, market conditions or technologies change, which no longer correspond to the assumptions of the budget. Morgan emphasized that the budget should be used as a tool for planning and control.

According to Hudson and Andrew (1996), control involves the making of decisions based on relevant information which leads to plans and actions that improve the utilization of the productive assets and services available to organizations management. Effective control is said to be based on standards which actual performance can be compared. If there are no standards, then there can be no effective measure of attainment. Hudson and Andrew identified and elaborated on five categories into which standards fall, they are: quantity, quality, time, complaint and value.

Effective control is a key management task which ensures that efforts produced at all levels are commensurate with those required to ensure the long-term future effectiveness and success of the organization (Stewart, 1997).

2.2 The Concept of Budgeting and Budgetary Control

There is a consensus among authors that, in order to avert business failure, an enterprise must have a vision of where it wants to be in near future and accordingly draws up a strategic business plan.

In order to attain the set business objectives of the enterprise, these long term plan are further broken down into detailed step by step procedures. The end result of this planning is to minimize cost and maximize profit, which is also a benchmark for judging management performance profit planning in the short term, which is generally carved out of an agreed or signed-off budget. A.W will more is of the view that budgeting is a service function and that budgets do not replace management and also observes that planning goes from top down where budget formulation flows from bottom to up.

Isaac Reynolds agree with wills more but noted that "budget planning is the key to survival in today highly technical and competitive environment and that failure to plan results, for many firms in a business failure that might have been avoided by profit planning.

Reynolds also listed the outcome of the reliability to establish and use a formal budget structure as follows;

- i. Lost sales due to under production
- ii. Excessive inventory costs due to over productions.
- iii. Excessive personnel turnover.
- iv. General lack of control over the outcome of business operations in terms of profit.

J.F Weston (1978) and E.F Brigham are in agreement with Reynolds (1984). But are guides to submit that the budget is not a means of limiting expenditure. Rather, it is a method to improve operations, a tool for obtaining the most productive and profitable uses of the companies resources through careful planning and controlling.

Hingren and Foster (1988) agreed that the budget is not a penny-pinching device. They also agreed with the views expressed by other authors that budget is an aid to co-ordination and implantation. They went further to say that well managed organizations usually have the following budget cycle:

- i. Planning the performance of the organization as well as its units. The entire management term agrees as to what is expected.
- ii. Providing a frame of reference, a set of specific expectation against which actual result can be measured.

- iii. Investigating variance from plans, corrective action follows investigation.
- iv. Planning again, considering feedback and changed conditions.

According to Chika Agu (2006) in the case study of 'budgeting and budgetary Control in Business organization,' "Budgetary control, is the use of the budget as an instrument for the guidance of business operations. In that case, budgets serve as a yardstick for executive control of operation, to determine the extent to which planned goals and objectives are being attained and to arrest off-line drifts on "time". While agreeing that budgetary control follows budget preparation, lucky opined that budgets require not only top managerial support but that control is assisted as well by "participation of budgets holders into the investigation of solution to the problems which arise".

In reference to Chika Agu in the case study of 'budgeting and budgetary Control in Business Organization, B.C Osisioma, agrees with the above views but stated that budgets fulfil two basic requirements in the overall control process.

- Feed forward: To provide a basis for control at the point of action, that is at the decision point.
- Feedback: To provide a basis for measurement of the effectiveness of central after the point of action.

Control, they say promotes efficiency and reduces waste. It can do according to S. Modetola Odeleye, (1991) "ensuring that corrective actions taken where necessary and possibly, to bridge the gap between the budget and the actual performance" and to review unrealistic budgets.

There is no opposing view to the assertion made by Brown and Howard (1975) that is budgetary control enables management by exception because management attention is concentrated only on those areas of the operations that do not work according to plan.

2.3 Main Types of Budget

Fixed and Flexible Budget

A fixed budget is a budget which is designed to remain unchanged irrespective of the volume of output or turnover attained. That is, it is a single budget with no analysis of cost. The purpose of a fixed budget is at the planning stage when it serves to define the broad objectives of the organization where there is no analysis of cost into fixed and variable. The fixed budget is unlikely to be of any real value for control purpose except if the level of activity turned out to be exactly as planned.

Flexible budget is a budget which by recognizing different cost behaviour patterns, is designed to change as the volume of activity changes for control purpose, it is vital that flexible budgeting is used only by comparing what the cost should have been with the expenditure incurred at the actual activity level can any control be exercised.

A flexible budget often reflects, increase or decrease in business activity throughout an organization. In some organizations, changes may be greater in some departments and smaller in others. In some department's ability to produce more units without incurring high additional cost while in another, cost increase or decrease in direct proportion to production increase or decrease. The flexible budget attempts to deal with this situation with a fair degree of accuracy. It keeps the expense to the level of

activity possible and so facilitates the control of expenditure and comparison of expense with revenue or volume of production.

In order to be able to prepare flexible budgets with some degree of accuracy, it is necessary to classify overhead cost into fixed, variable and semi-variable. With variable cost, a specific sum per unit of output or standard hour is set and total variable cost is obtained by multiplying the unit cost by units or hours.

2.3.1 Other Types Budget

The specific types of budget to be prepared by management of an organization will depend on so many factors such as the nature, size, complexity, operation of the organization. But in practice, the following types of budget are common;

- i. **Cash Budget:** A cash budget involves detailed estimate of anticipated cash receipts and payments for the fourth coming year or period. This is because while it may be possible for an organization to exist and continue to survive without profit, the existence of an organization is doubtful without liquidity. A cash budget identifies potential period of cash deficit or cash surplus to the organization. This organization will therefore assist the adverse effect of cash squeeze (lack of cash) by arranging for an overdraft facility or to maximize the benefit associated with surplus fund through short-term investment.
- ii. **Master Budget:** The master budget also known as profit plan is a comprehensive set of budgets covering all phases of an organizations operations for a specified period of time. The master budget is the principal output of a budgeting system. It is a comprehensive profit plan, that tie together all phases of an organizations operations. It is comprised of many

separate budgets that are independent. They are 1) Operation budget and 2) Financial budget.

- iii. **Operation budget:** This shows how operations will be carried out to produce an organizations goods and services. The essence of operational budget is for the organization to be able to meet the demand of its goods and services.
- iv. **Financial Budget:** This shows how an organization will acquire financial resources during the budget period.
- v. **Sales Budget:** Sales budget shows the quantities of each product that the company plans to sale and the intended selling price. This budget is very important because it is an estimate of the revenue to be generated by the organization from its operations. It provides the prediction of the total revenue from which cash receipts from customers will be estimated and it also supplies the basic data for constructing budgets for production cost and for selling, distribution and administrative expenses. The sale budget is the foundation of all other budgets since all expenditure is ultimately dependent on the volume of sales. This budget also serves as a tool for inventory management.

Table 2.1: Monthly performance report for April 2012. (ATS Monthly Report)

		Month Performance -April (USD'000,000)							Group	Comments	Performance YTD April (USD'000,000)							
		Actual	Budget	Prior ye	Act vs Bu	%	Act vs P	%			Actual YTD	Budget YTD	Prior YTD	Act vs Bu	%	Act vs P	%	
136	Net Revenue	100%	7.07	7.24	4.96	-0.16	-2%	2.11	0.42		28.15	28.56	18.53	-0.41	-0.01	9.62	52%	
148	Variable Cost	65%	4.56	3.80	2.82	0.76	20%	1.74	0.62		17.14	14.88	10.32	2.27	0.13	6.82	66%	
	Gross Profit	35%	2.51	3.44	2.15	-0.93	-27%	0.36	0.17		11.00	13.68	8.21	-2.68	-0.24	2.80	34%	
160	Non Stock Consumables	2%	0.17	0.06	0.04	0.11	178%	0.13	3.21		0.40	0.23	0.22	0.17	0.42	0.18	85%	
178	J & S Employee Cost	14%	1.02	1.08	0.77	-0.06	-5%	0.25	0.32		3.98	4.30	2.97	-0.32	-0.08	1.01	34%	
188	Utilities	0%	0.03	0.03	0.02	0.00	6%	0.01	0.37		0.12	0.10	0.09	0.02	0.18	0.03	36%	
209	Insurances, Rent, Depr., & O	2%	0.16	0.23	0.20	-0.07	-31%	-0.04	-0.19		0.72	0.93	0.74	-0.21	-0.29	-0.02	-3%	
217	Repairs And Maintenance	0%	0.02	0.01	0.02	0.01	94%	0.00	0.20		0.11	0.04	0.06	0.07	0.62	0.06	97%	
225	Vehicle Cost	2%	0.13	0.11	0.08	0.02	22%	0.05	0.59		0.57	0.45	0.33	0.12	0.22	0.24	72%	
230	Marketing & Promotions	0%	0.00	0.01	0.00	0.00	-32%	0.00	0.49		0.02	0.03	0.03	-0.01	-0.58	-0.01	-33%	
242	SM Employee Cost	11%	0.76	0.86	0.63	-0.10	-12%	0.13	0.21		3.09	3.39	2.36	-0.30	-0.10	0.73	31%	
	Total Operating Expenses	33%	2.30	2.39	1.77	-0.09	-4%	0.53	0.30		9.02	9.47	6.80	-0.46	-0.05	2.22	33%	
	Total Operating Profit	3%	0.21	1.05	0.38	-0.84	-80%	-0.17	-0.45		1.99	4.21	1.41	-2.22	-1.12	0.58	41%	
253	Other Income	2%	0.16	0.00	0.08	0.16	0%	0.09	1.19		0.78	0.00	0.11	0.78	1.00	0.67	605%	
272	Other Expenses	4%	0.25	0.43	0.21	-0.17	-41%	0.04	0.18		0.95	1.19	0.68	-0.24	-0.25	0.27	39%	
	Net Profit Before Tax	2%	0.12	0.62	0.24	-0.50	-80%	-0.12	-0.50		1.83	3.02	0.84	-1.20	-0.66	0.99	118%	
278	Corporate Tax	1%	0.09	0.25	0.12	-0.16	-64%	-0.03	-0.25		0.50	1.07	0.49	-0.56	-1.12	0.02	3%	
	Net Profit After Tax	0%	0.03	0.37	0.12	-0.34	-92%	-0.09	-0.74		1.32	1.96	0.35	-0.63	-0.48	0.97	276%	
208	Depreciation Included	1%	0.05	0.07	0.04	-0.02	-22%	0.01	0.24		0.18	0.27	0.16	-0.08	-0.45	0.02	14%	
258	Interest Included	0%	0.02	0.01	0.00	0.01	225%	0.02	#####		0.05	0.02	0.01	0.03	0.56	0.04	714%	

2.5 The Principal Budget Factors/Forecasting

The first step in budgeting is the determination of the principal budget factor. The principal budget factor is that factor which at any given, effectively limits the activities of an organization usually, it is customers demand but Nwoko (1992) argues that most of companies in developing countries like Nigeria, production devices and effectiveness depends on the accurate prediction of cost behaviour patterns.

Reynolds (1984) noted that many well managed companies prefer flexible budget because it provides management with a basis of measuring variance between budgeted and actual costs, which is accomplished by comparing actual expenditure with previously set amounts adjusted for valuing levels of production.

Continuous or rolling budget is a type of flexible budget but is more regularly updated. Owler and Brown (1984) defines the rolling budget by adding say a further month or quarters so that the budget can reflect current conditions. At every point in

time a twelve month budget is available and as the month or quarter expires a month or quarter in the future is added.

The desire of the continuous budget owes to the fact that, it constantly forces management to look into the future and to keep track of changes into the operating environment. After determination of the principal budget factor, a forecast is made of how it is expected to behave during the budget period. The budget schedules derive from and are tied to the limiting factors and its observed pattern. Forecasting is a very important activity because the effectiveness of the budget is on accurate forecast.

2.6 ATS Budget Manual

The purpose of the budget manual is to formalize the budget process for the following reasons:

- there is no laid down budget cycle
- the need to clarify the roles and responsibilities of the principal actors in the budget review process
- to improve finance effectiveness and efficiency.

2.6.1 Budget Cycle - 'Finding Time'

It is important for the budget to operate and put budget into place before the beginning of a new financial year, management should be able to know beforehand, what their expenditure will look like in the coming year, what their income level and the underlying operating margin of the group will be like in the coming year, thereby putting measures or making decision on the future of the group based on the budget assumptions. By so doing, management will be in the best position to know which

and where to allocate resources, what cost they need to cut in order to achieve the stated goal of the group. This will also help Management Board to come out with 'internal executioner priorities' and can also help to come out with 'stop doing list' all in line with control measures to achieve the goal of the group.

2.6.2 Corporate Governance

The budget review process is an essential part of the overall ATS corporate governance process, and through this, ATS resource allocation decisions are made and sanctioned within a mandated framework to ensure the group business is run to the benefit of the shareholders. The shareholders appoint the board of directors who are ultimately responsible for the running of the business. The budgeting process ensures that the board is presented with the forecasts spend of the business and the available resources and the board allocate these resources and delegates authority likewise. In effect nobody is authorised to spend in ATS unless the activity has been budgeted for and approved in a budget presented to the board. There are exception processes which will be treated through the board exception committee. The process of quarterly review offers the business the chance to get to recognise the deviations from the approved company plan and approve same.

2.7 Budget Manual Objectives

The objective of the budget manual is to establish a budget cycle and define a high level process that will enable the following benefits to be delivered when any agreed changes are implemented:

- i. reduce the time frame within which budget is updated and completed

- ii. to clarify the roles and responsibility of who provide the needed budget information
- iii. to help make the budget the true reflection of our underlying business
- iv. to reflect the evolving business operating model in the budget process
- v. to consolidate and understand all detailed functional budgets
- vi. to review and understand the full financial budget to ensure that it meets the projects targets, the regional strategy and the group guidelines
- vii. to demystify the budget review process
- viii. to see budget as the instrument for watching plan performance
- ix. it serves as a means of educating managers
- x. it serves as a formal record defining the functions and responsibility of each executive
- xi. by designation both regarding the preparation and the execution of the budget
- xii. it helps managers to develop team spirit where participation in budgeting process is encouraged

2.8 Stakeholders Objectives

The budget review process, as defined in the manual, has been designed to meet the objectives of different stakeholders. The key stakeholders are listed below and their objectives with regard to the budget review process summarised.

Organisation Level	Objectives
Board Level	
Main Board	<ul style="list-style-type: none"> - approve the annual Budget - Review the three year rolling forecast

	<ul style="list-style-type: none"> - establish Group performance targets for the following year • Assurance that the Company has a sound process of coming up with robust Budgets to benchmark actual performance against.
<p>Management Board</p> <p>(Executive Directors)</p>	<ul style="list-style-type: none"> • With Corporate Governance framework, the Management Board is expected to: <ul style="list-style-type: none"> - review and agree Budget Guidelines for the Group, Regions and projects; - Review the annual budget for the group - review the three year rolling forecast for Group, Regions and Projects, and planned activities to achieve those Budgets; - make Group resource allocation proposals to the board; - make recommendations on the three year rolling forecast for approval by the Main Board; and - to monitor overall operating performance of the Group, and significant variations (+ / - 5% or more) on key figures within annual budget. • Ensure that the three year rolling forecast delivers the numbers in line with the expectations of shareholders and includes the activities required to deliver the Group Strategy.

Sources: ATS Budget Manual

2.9 Budget Process, Roles and Responsibilities

No.	Role	Responsibility
Group level		
1.	Budget Team	<ul style="list-style-type: none"> • With reference to ATS Corporate Governance framework, the budget team is expected to: <ul style="list-style-type: none"> - Obtain inputs from projects/countries/regions - review these inputs and reflect them in financial information - review and compare bottom up inputs to group guidelines - Review Regional Budgets with regions and clarify planned activities to achieve those Budgets, - Consolidate a Group view of the budget. - Review capital expenditure proposal and recommend allocation to the management board.

		- make recommendations to Management Board for review and endorsement
2. 3	Manage and co-ordinate the budget process	Budget Team
3.	Generate assumptions, FX, airfares, PPP, inflation	DCFO, Travel Desk, Budget team
4.	Review Projects budgets	RBM's
5.	Provide a consolidated view of financial performance including Capital Expenditure	Budget Team
Regional		
6. 3	Manage and co-ordinate the provision of inputs to the deadline	Regional Business Managers
7.	Provide local financial assumptions, e.g. rent and tax rates	Regional Accountants
8.	Make HO cost assumptions	Regional Business Manager
9.	Review consolidated Regional Budget	Group Operation Manager

2.10 The Basic Principles

The basic principles of the budget manual as described, takes into account certain principles that will enable the process to be shortened and simplified as below:

- i. The budget is built bottom-up, which is from the unit camp level or project level for three years and the first year being operational/functional budget.
- ii. Unit camps are required to submit one version of scope of work before the management board reviews the budget.
- iii. Effectiveness gains are just as important as efficiency improvements
- iv. The budget process must facilitate the allocation of resources to Group and Regional activities while reflecting returns acceptable to Shareholders.

2.11 Process Assumptions

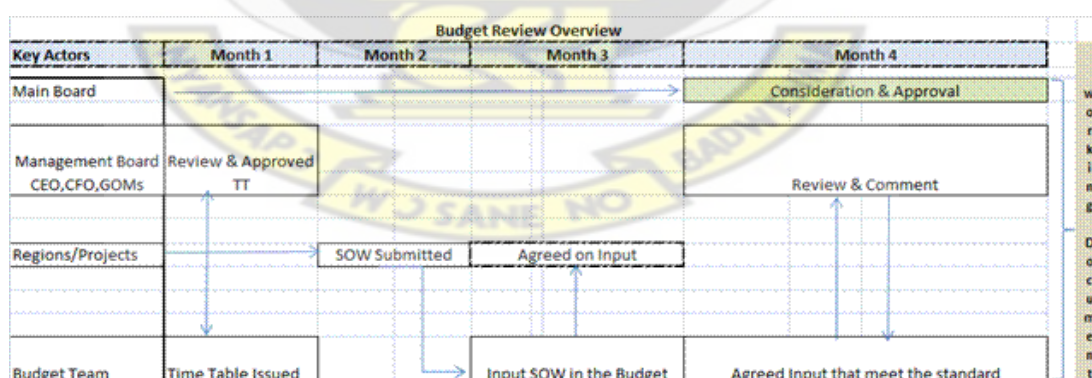
The design of the budget review process, as described in the budget manual, is based upon certain assumptions on the approach adopted below:

- i. Detailed preparation of the budget at the project level will only commence six weeks before the last meeting of the main Board for the year.
- ii. Budget discussions will be focused on understanding the existing camp scope of work and the opportunity to meet the group short and long term strategic objectives.
- iii. The reporting timeframes for all inputs and output gathering for the scope of work from the projects will be limited to one week.
- iv. The agreed scope of work will provide the clarity on what should be included in the budget.

- v. Hard guidelines are provided by the management board to the regions on operating profit, operating margin, external gross capex and operating cash flow.
- vi. Assumptions on airfares, salary adjustments, inflation factors, exchange rates and other relevant indicators needed for the budget will be issued prior to the commencement of the budget exercise.
- vii. Recharges attract a percentage mark up on landed cost.
- viii. The budget numbers submitted by the project/camp units will be as per the scope of work and confirm with the regional budget managers.
- ix. Amendments required by the regions will be effected before the management board meeting
- x. Amendments required by the management board will be effected before the main board meeting in December.

2.12 Budget Review Process Flowcharts

The key meetings and reporting requirements for the group are a shown below:



Sources: ATS Budget Manual

2.12.1 Budget Review: Key Dates

	Key	Key Meetings/Activities	
Date	Owner	Projects and Group line Functions	Submission Deadline
October: W3	ALL RBMs	Submits Budget information for all projects under their watch	24th October
October: W4	Budget Team	Input of budget information	31st October
November: W1	Budget Team	Review the revised budget with RBM/GOM	7th November
November: W2	Budget Team	Submit Reviewed Budget to the Mgt Board	14th November
November: W3	Management Board	Amendments to the Reviewed Budget, if required from the management Board	21st November
November:	Management Board	Management Board Approved Budget for onward submission to the Main Board	30th November

W4			
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Sources: ATS Budget Manual

This section of the Budget Manual summarizes the key steps and key meetings that will take place to roll-up the budget.

2.12.2 Quarterly Review: Key Dates: *First Week in below months*

QR1→ April QR2→ July QR3→ October CoPlan

Quarterly Review: Key Information Required (KIR)

Purpose	* Agree and bridge budget gaps due to change in scope * Agree centre cost due to inflation and other economic factors
Owner	Regional Business Manager & Group Operation Manager

What goes in	What goes on
* Assumptions on mandays update * Assumptions on Casual Meals, Seniors & Juniors Update * Employees update: J & S and SMs	* Agree Group Guidelines for Operating Profit, Operating Margin, Capex plus food cost guidelines

Note: If the Quarterly review exceeds the $\pm 5\%$ threshold, the Board approval will be sorted.

2.12.3 December: Budget Review Meeting - Management

Purpose	<ul style="list-style-type: none"> * To review and approve the Group Business Roll-ups for Finance Marketing and Operations, Marketing and Operations, Regional Budgets, Group functional Cost and Group Activities * Understand major activities and risks * Review resource conflicts in meeting the issued guidelines and the implementation plan for Group Activities
Attendees	GOM, CFO, CEO & Business Development Managers

What goes in	What goes on	What comes out
Budget Summaries	<ul style="list-style-type: none"> * Presentation and deliberations on Regional Budgets And Group Budgets 	<ul style="list-style-type: none"> * Resource Allocation changes to Budget (if needed) via Regional Adjustment to the group. * Agreed Changes to Activity plans * Propose Budget for Main Board

Sources: ATS Budget Manual

2.12.4 Budget Review Meeting - Main Board

Purpose	<ul style="list-style-type: none"> * Summarise the Key Activities and performance highlights * Review the Key Financial Projections * Sign - off the Budget
Attendees	Main Board, CFO

What goes in	What goes on	What comes out
<ul style="list-style-type: none"> * Group Budget Executive Summary * Group Budget Financial Performance 	<ul style="list-style-type: none"> * Introduction by Chief Executive * Budget Overview by Chief Financial Officer * Presentation of key financial projection by CEO * Discussion focused on Key Activities, Achievability of Key Targets and Key Risks 	SIGNED - OFF ANNUAL BUDGET

Sources: ATS Budget Manual

2.13 Budget Education

Budget holders at all times should know what is expected of them in the budgetary process and be prepared to defend it at any given time. The budget holders own the budget and they should revise a copy of the statement of budgeting premises, participate fully in budgeting and are informed of any revision made in the budget submitted to them. They are also entitled to receive a copy of the final approved budget. The employees on the other hand can be educated on the budget through seminars, conferences, lectures among others. Budget education motivates employee's commitment to a successful budget's implementation more especially where bonuses are tied to achieving a set budget target.

2.14. Budgeting: Financial and Human resources

According to McBain (1999), budgeting is not a substitute for effective decision making. Most budgets provide only for finances and specify where and how it should be spent, they do not provide for people (McBain, 1999). People think, perform, have competence, need finances to be sure; however without the people, finance alone is insufficient in arriving at an improved performance of any organization. In essence, managers should also look into human resource budgeting and see how improvement in this results would better performance.

In addition to being the managers' planning tool, budgeting is also one of the most effective tools of communication and integration. It shows how each part of the organization relates to the end needs of the whole. Budgeting therefore requires that the managers in charge of the whole and each person in charge of parts discuss the budget jointly in order to arrive at better result (Addedji A.O. 2004).

2.15. Problems associated with budgeting and control

Having reviewed the concepts 'Budget' Budgeting' and 'Control, which are key to this study, stating their purpose and importance, there is need to consider some of the problems that are associated with these concepts, so that organizations who seek to survive in complex economic environment will be familiar with these likely problems and apply necessary tools in by-passing them so as to experience improvement in the organizations performance.

To remain competitive, companies need to align their budgetary planning and control systems with the overall strategy. The following questions confront all top managers, as they formulate budgetary plans and allocate capital; which is better for a firm than investing outrageous amount of capital or scale back on capital investment. To reduce employment so as to raise the amount of assets at work per employee or elevate employment to meet the demands created by new investments? These questions become compelling as investors demand that operations consistently deliver shareholders value regardless of their long-term strategy for deploying human and financial capital. An important factor that distinguishes the winners from the losers in creating shareholders value is the equality in investment decisions, which in turn depends on the soundness of such budgetary planning and control system (Thaker, 1998)

Unfortunately, many organizations make poor investment decisions from investing too little in positive Net Present Value (NPV) projects and much in negative NPV projects, resulting in investment myopia. Thaker (1998), noted that such distortions can distract companies from what they ought to do, causing them to sink millions of dollars in wrong products and ideas. For instance, coca-cola invested in pastes and

wine, products for which its rate of return were not only below those of its soft drinks business, but also below its costs of capital. Such errors deplete shareholders value and lead to corporate control contests that result in chief executive officer replacements and hostile takeovers.

Boquist (1998) observe that companies continue to blunder and fail because they have flawed budgetary planning and control systems, which they apparently fail to recognized. Some firms sense weakness of their budgetary analysis but viewed them as individual problems rather than systematic deficiencies. They misdirect efforts and produce greater frustrations. As a result, corporate strategy and capital allocation become misaligned and remain so, despite disapproving financial performance. Boquist pointed out some of the drawbacks organizations encounter in the course of implementing budgetary planning and control systems. They are:

i. Lack of dynamic structure

Present day economic environment demands that organizations adapt new and in-structure practices. Given the new competitive realities, there is need for management to embrace flexible and adaptable budgetary control system which has the ability to quickly respond to environmental changes and complexities. A good budgetary planning and control system must involve not only an analysis of capital allocation requests when the project is executed, but also an analysis of all capital needed to generate information such as market research, prior to investing in the project.

ii. Absence of connection between compensation and financial measures

Many companies adopt the NPV criterion in selecting a project but compensate managers based on product earning or rate of returns. This misaligns their interest with those of shareholders. The reason for misalignment between the compensation and budgetary allocation system is that the NPV cannot be used to determine compensation because it (NPV) is a stock/summary measure, based on projected cash flows and not on realized performance. Organizations are expected to adopt flow measure which is computed periodically, either quarterly or yearly as soon as they are realized.

iii. Lack of Integration

Most of capital, budgeting and expense budgeting are distinct processes, for instance, organizations that do practice capital budgeting make assumptions about the future cash flows that are dependent on certain advertising and sales promotion outlays. However, these are typically covered by the expense budget. Boquist noted that even in organizations in which the determination of the expense request is tied at the outset of capital request, the people approving the two requests do not necessarily try to ensure consistency between the two budgets.

iv. Finance function not a strategic partner

Financial analyst doing budgetary planning is often seen as traffic caps than strategic partners. They often get into the budgetary process near the end, merely to rubber stamps a conclusion that a marketing or manufacturing executive realized earlier. Budgetary planning then becomes a mere exercise, rather than values that produced

the desired result, consequently, the quality of information for budgetary planning and control are seriously compromised.

2.16 Performance of Allterrain Service (ATS): General Overview

ATS was originally set up to provide catering services for the mining companies. But over the years through experience, many clients were expressing interest in a company that can provide all non-core services as a one stop shop. ATS therefore expanded its scope by providing cleaning and maintenance services to the clients in addition to the catering.

As any other teething businesses in Africa, the growth of ATS since its birth in 1997 is not steady due to operational challenges which are gradually smoothing out due to its operational policies review in accordance with the performance result and management.

The working population of ATS to date stands at 5% expatriate and 95% nationals, this affirm ATS commitment to local content policy of Africa governments. Community relation is also one of the key areas of its commitment to local content by helping local businesses to develop and grow their supply to ATS.

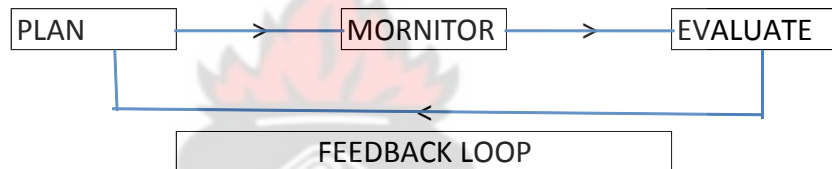
The grow in 2009 by 14 percent and 55 percent in 2010 which is due to a lot of contracts been won and some of the existing contract rates reviewed coupled with added scope of work, while the growth rate in 2011 is 5 percent. From the available data, the performance of the industry is much encouraging but as we progress in this analysis of the relationship between the actual and the budget, there is the need to advice for or against the impact of budgetary control system on the performance of the company.

2.17 Budgetary Control and Variance Analysis

Why Compare Actual and Budget?

One of the objectives of budgeting is to provide a benchmark against which actual performance can be measured. This is worth doing only if action is taken as a result.

The basis of budgetary control is variance analysis. Variance analysis is unplanned change from the budgeted figure. So if no action is taken on the basis of management accounting, then there is a little point in producing them and even less point in wasting management time discussing them.



By identifying progress preceding position one is better informed regarding the effects of actions and clearer picture of future actions to be taken. Knowing your cost of sales against the revenue generated, one will be better informed to decide whether you are over or under spending. The scope of work as pertain in ATS determine the revenue to be generated, the cost of sales, the number of employees and their labour cost needed to execute such task, and the general operational parameters within which such a project can meet its set target. So the monthly performance management report reveals the shortfall or the loop in the operation if the scope remains the same. The variance analysis by this standard reveal if we are spending too much on the labour cost than expected, or if by expats movement, we placed a wrong expat on a particular project whose standard does not meet the type of project he has been placed.

2.17.1 The Causes of Variance in ATS Operation

There are numbers of factors that causes variance in ATS operation for which reason we run flexible budget which is review every quarter to make the budget more realistic, the key among them are:

1. Change of scope of work: There is no gainsaying the fact that the budget is a living document which grows and die with the operation, so during the course of operation more sub-contractors may join the mine depending on the stage of the mine at the particular point in time, and this action increase the scope of ATS operation and budget is duly updated to reflect this changes, variances occur at the end of the day if the correct communication is not done to update the budget to reflect such changes.

2. Expatriates rotation: Most of the ATS operations are been managed by expatriates and the cook, the nature of the job in hand determine the level of expatriates to use on which basis the budget is build, but during the operation due to leave and other immigration reasons, another manager may be moved from one project to another without due consideration of their levels thereby creating variance on that project. For example if a projected is headed by senior manager with grade five by our ranking, if that manager moves from that project or resign or terminated, his or her replacement can only be another manager with the same grade all things been equal in terms of scope of work but as soon as somebody with a different grades fill that gap, either favourable or adverse variance is created.

3. Lack of Communication: Information flow from the client to our managers is keen in curtailing most of the variances in our operation. The client is the custodian of all the happenings at the mine site and the flow of such information will help our

managers to plan because the work is number-oriented that is to cook for the number of people on site at a particular point in time, so the high and the low of the numbers affect the planning of the managers and thereby creating variance at the end of the month if the right estimate is not made. The managers on the other hand should also be proactive to source for information from the client as it is more crucial for them to work with.

4. Costing: This is one of the major challenges most of the operation managers encountered on their daily. If by the standard of the menu, the cost of cooking one meal is budgeted for \$2.50 US dollars and you ended up spending \$3.00 USD to cook for same meal, the cost of sales increase against the revenue and once the rates are fixed and contractual, the revenue remain the same against such cost thereby creating a weak gross profit margin which will be difficult to absorb other operational expenses thereby giving the company weak profit or loss and the shareholders dividend will also be affected. Table (2.2) below shows an example of hierarchy of variances.

Table 2.2: Hierarchy of Variances (Financial Management Development, David Palmer 2000).



Variances can be Favourable (F) or Adverse (A). Favourable variances occur when the expenditure is lower than expected or the revenue is higher than expected. An adverse variance occurs when the expenditure is higher than expected and also when the revenue is lower than budgeted. Budget, therefore must be monitored for variances, so that they can be reacted to. Because each budget has a budget holder, (the person responsible for the budget) then the responsibility of the variance must be trace to the right person.

2.18 Data Presentation and Analysis of Variance

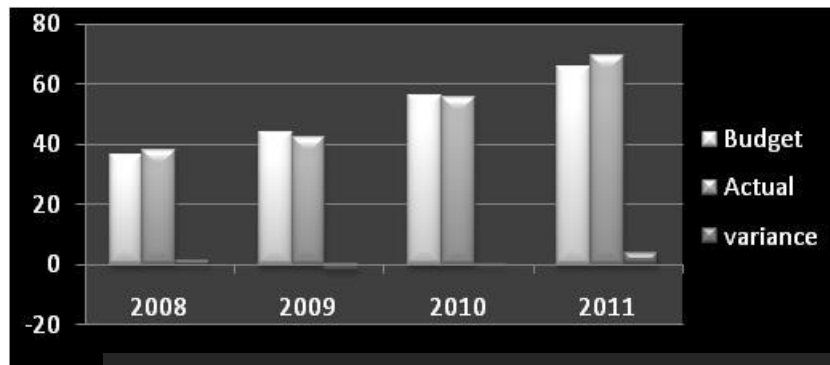
The data used for this exercise is made up of turnover for 2008, 2009, 2010 and 2011 financial year of the company. It is a simple calculation of percentage change between the budget and actual performance to justify the efficiency of control and same to performance indicators. Table (2.3) and (2.4) below indicates each performance of the budget against the actual for the years under research.

Table 2.3: Actual vrs Budget performance in millions of US Dollars (Turnover)
(ATS Budget Report)

Year	Actual	Budget	Variance	% change	Column1
2008	37.83	36.5	1.33	4%	F
2009	42.45	43.91	(1.46)	-3%	A
2010	55.62	56.14	(0.52)	-1%	A
2011	69.21	65.50	3.71	6%	F

The graph below in table two also re-affirm the strong relationship between the budget and the actual which is good sign of budgetary control been utilized in this company.

Table 2.4: Graphical representation of the data in Table 2



This process is only worthwhile if the budget is realistic, analysing variances against an unrealistic budget is pointless.

By observing the management account of all the projects in this company, it was realized that the remote causes of their failure to meet the budget target is lack of understanding of the budget, the ignorance of the existence of the budget in relation to their project. Through training/induction recently organised by our training manager for both new and existing managers across the company, most of the existing participants were delighted about the existence of the budget but also dismay about its existence, more especially, the correlation that the budget has with all the contracts we have in ATS.

In light of that, ATS may appoint a budget controller to co-ordinate the budgetary activities and the budgeting team which should consist of representatives of each project for various activities within the organization. The task of the team can be considered under the following headings:

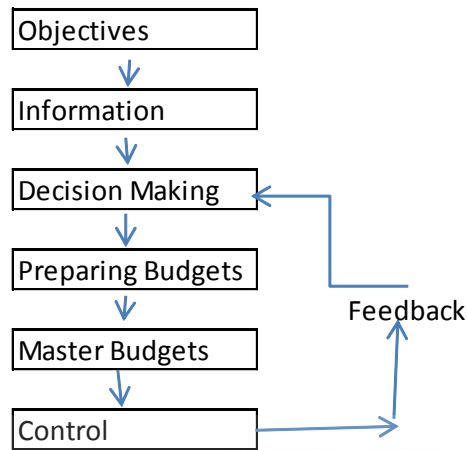


Table 2.4 Source: Chika Agu 'budgeting and budgetary Control in Business Organisation'

- i. Objectives:** The team will undertake its activities designed to enable the organization to meet objectives (food cost control, minimise general cost, maximize profit and improve productivity)
- ii. Providing Information:** The team will also look at figures from previous years, the stage of the mine and the sub-contractors to the mine, so that the budget to the larger extent is based on more realistic figures. A clear knowledge of the competing environment of ATS would not be left out.
- iii. Decision Making:** This is the key life blood of the organization, decision arrived at can do and undo the company.
- iv. Preparing Budget:** Detailed budgets are then prepared for various sites for all activities.
- v. Master Budget:** The individual budgets, are then linked together as a master budget.

vi. Controlling: This is measure to keep the budget on track by comparing the actual performance to the set target, and any drifts during the operation are then arrested to keep the deviation on track.

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CHAPTER THREE

METHODOLOGY

3.1 Introduction

The basic aim of this chapter is to clarify, explain and present the framework underlining the research objectives. This highlights the research design, sources of data (both primary and secondary), population and sampling techniques, sample size, data collection tools (questionnaire and interview), validity and reliability as well as data analysis. Quantitative technique is employed on Allterrain Service Group (ATS) where camps managers of the various sites are studied.

3.2 Research Design

Research can be defined as a scientific and systematic search for pertinent information on specific topic. We all possess the vital instinct of inquisitiveness and, when the unknown confronts us, we wonder and our inquisitiveness makes us probe and attain full and fuller understanding of the unknown. This inquisitiveness is the mother of all knowledge and the method, which man employs for obtaining the knowledge of whatever the unknown, can be termed as research.

Whereas research can again be defined as any inquiry carried out to provide information for solving problems, organizational research is a systematic inquiry whose objective is to provide information to solve managerial problems or management dilemma; the problem or opportunity that requires a management decision (Cooper and Schindler, 2006).

As a general practice in research methodology, deductive works generates hypotheses from theoretical assumptions and test them against empirical observation

(Data). This mode is concerned with the potential falsification of the theoretical statements by checking their predicted consequences against the real-world observation. While Inductive work consists of making generalization from observation resulting in theoretical statements which attempt to explain the occurrence of the observed phenomena. The favoured research approach in this exercise will be the deductive one. A deductive approach also determines a quantitative paradigm, which will be the main paradigm of this study. The quantitative approach presents quantitative evidence to all empirical questions, which will describe 'what' the extent of budgeting process is in ATS and 'whether' the budgeting process exerts strong impact on the performance. This will make it easier for data analysis through the use of statistical method. Meanwhile, the qualitative approach will also be used to gather some off-hand impression from the project managers and that will inform the study to relate the perceptions to the findings and to come out with all-inclusive recommendation that will impact company with a tremendous change.

In order to have a holistic view about this topic, the study employed two different methods to extract the required information which are the quantitative and the qualitative. The quantitative and the qualitative methods represent different research strategies, and they are clearly separated in their views of the role of the theory and which scientific approach to use (Bryman A, 2003). Even so, they can of course be combined, for example doing qualitative interviews for specific views on a subject, and combining this with a broader, more general statistically quantifiable survey.

The qualitative approach mostly entails deductive reasoning, broad and general observations and quantitative involve data analysis, such as statistical survey.

3.3 Source of Data

Two sources were utilised to collate the information contain in this project: Primary source and Secondary source

3.3.1 Primary Sources:

Primary data are data that are collected for special research. The data can be collected in a number of ways, such as, observations, semi-structured, in-depth, and group interviews, as well as questionnaires (Saunders, Lewis & Thornhill, 2007).

However, due to the setup of the ATS organization, it was found that the questionnaire technique was most appropriate to the research questions and objectives, because it can provide an efficient way of collecting responses from a large sample of prior to quantitative analysis. These are the data collated at the grass root of the study from projects sites are represented. Also having been a project manager before, it enabled me to have an in-depth knowledge about the operation and the right questions to ask.

3.3.2 Secondary Sources:

Secondary data include both quantitative and qualitative data and they are use principally in both descriptive and explanatory research. There are three main sub-groups of secondary data: documentary secondary data, survey-based data and multiple-source secondary data (Saunders, Lewis & Thornhill, 2007).

For this thesis information is also gathered from data in such source like journals, books, business reports and magazine articles. Both published and un-published sources are utilised. The sources of the unpublished data include materials of

scholars and research workers. Projects reports and thesis got from different universities at the websites. The published information includes the newsletter of the company, the audited reports from the external auditors and investors.

3.4 Population Size

The research worked with population size of sixty-one (61). The breakdown is as follows:

Category of Workers	Number
Project/Camp Managers	25
Group Operation Managers	2
Human Resource Managers	2
Project Accountants	10
Executive Chefs	10
Supervisors	7
Regional Business Managers	5
TOTAL	61

Table 3.2: The population size of the research

3.5 Sampling Technique

The sampling methods used include simple random sampling, convenience sampling and purposive sampling. The researcher collected the sampling frame from the seven categories of staff as mentioned in the table above in selecting the respondents for

the study. It was hoped that this sampling technique would eliminate selection bias in the study and at least 85% of the sample size would be covered in the survey and the result would represent the true nature of the entire population.

3.6 Research Philosophy

In the research process, three philosophies are mostly employed, which are positivism, realism and interpretivism. The principle of positivism was used throughout this research exercise since existing theories were used to develop hypothesis which were then tested by the use of a qualitative survey.

Researchers who adopt a positivistic philosophy always attempt to be independent, void of biasness, which means that they do not want to affect or be affected by the subject or research (Saunders, Lewis & Thomhil, 2007). During the conduct of this thesis the researcher strived to be neutral and not let expectation influence the results of the study, in order to ascertain the reality and the true picture of the situation on the operational field. As any adulteration of the result would shake the essence and a drift to the very foundation of this exercise which is very essential to the decision making body of this organization. For this reason, the interpretivistic approach was not practicable because the results must be generalized so that they can be applicable to other organizational context, whilst this exercise is an organizational specific-centred.

CHAPTER FOUR

RESULTS DISCUSSION AND ANALYSIS

4.1 Introduction

This chapter presents the analysis and discussions based on the budgeting, budgetary control and performance evaluation of Allterrain Services, the understanding of the budget and budgeting procedures, the involvement of the key stakeholders in the budget building, the use of the budget as a yardstick in the daily activities of the operation, performance measurement and its evaluation, analysis of key elements of the questionnaire, lessons learned to arrest any shortfalls and the way forward in meeting budget target are ascertained. In all, a total of 44 out of 61 responded to the questionnaire.

4.2. Skills, Knowledge and Abilities

The demographic and socio-economic characteristics of the respondents are considered in line with their skills, knowledge and the ability to understand the budget template and interpret the figures in relation to the operation; this has a direct impact budget performance measurement. The table 4.1 below represents percentage sex distribution of the respondents.

Table 4.1: Sex distribution of the respondents

Sex	Frequency	Percentage
Female	5	11
Male	39	89
Total	44	100

Source: Fieldwork, 2012

As shown in table 4.1, out of 44 respondents 89% are males while only 11% are females. This does not mean that the research are targeted at only men, but rather the attestation of ATS policy of sending females into the 'bush' as per the sample size. The sample size question here represent the category of employees who have to leave their home country and family behind and travelled out into remote camping as by the nature of the job, and due to volatile nature of women, they are not encouraged into this adventure.

A computer literacy and a certain level of academic excellence have also been seen as an important factor for effective performance within the organization. The respondents need excel skills in order to understand the budget figures and its interpretation, knowledge in Microsoft outlook is key for communication, changes in the scope of work, additional employees request, asset capital request and any other budget challenges one might face on his daily activities, need to be communicated to the budget team, the use of social network like Skype is key in our daily communication within the group.

4.3 Analysis of Budget-based Knowledge.

By the general analysis of the 44 respondents on the question “do you know there is a budget for your project?”, only 19 respondent representing 43% know there is a budget to work with, meaning the rest of the 57% are working without any benchmark or a target. This would result in ill-performance of such projects, as the parameters set to operate within is not known and are therefore not respected.

The table below shows the breakdown of this generality into different categories as per the population size.

Table 4.2 Responds to Q1 “do you know there is a budget for your project?”

Categories	No. of Respondents	No. of Yes		No. of No	
			%		%
Project/Camp Managers	21	7	33	14	67
Group Operation Managers	2	1	50	0	0
Project Accountant	4	4	100	0	0
Human Resource Managers	0	0	-	1	0
Executive Chefs	8	3	38	5	62
Supervisors	5	2	40	3	60
Regional Business managers	4	2	50	2	50
Total	44	19	43	25	57

Sources: Fieldwork 2012

The project/camp managers result 33% scored is of major concern, this category of employees are the main production team who are directly involved in the day to day running of the projects, and the main stock which is the hub of the operation are entrusted into their hands. They, as a matter of fact must know about the budget, the cost allocated to each category of meals, the rates to charge per meal, the total labour cost which is allowed for such project among others.

The Group Operation Managers are basically in charge of making sure the operation team meet its target and budget allocated for the projects under their jurisdiction, helps to co-ordinate activities as realistic as practicable, and also approves the budget for the project managers to carry on. So far, the Group Operation Managers are only two so far in the company, hence the 50% representing one.

The project accountants 100% is without doubt because they are the inter-mediate between the budget and the projects, all queries on the performance reported on their financial statements are first addressed to them within the content of the budget before any other member of the operation team that is why the only 4 who responded know about the budget.

In the light of Human Resource Manager, the key 2 for the group provide the support service for the group and therefore do not have budget on their own but incorporated in operation support team.

The executive chefs 38% represent the fact that their requisitions to the store for the menu has no bearing on the budget, meaning the budget guard to monitor and control cost is lacking in the kitchen.

The interesting one is the supervisors' 40% who are not preview to the budget directly but were told by their leaders as to how much they can spend on their requisitions on daily basis. These are the housekeeping, laundry and gardening supervisors.

Lastly on the breakdown, are the RBM (Regional Business Managers) who are directly in charge of the project managers, and the 50% scored is risky for the operation. Because the RBMs are in the front line to make sure the budget for the various project under their watch are adhere to. They can only hold the project managers accountable if they know about the budget and the parameters set to operate.

4.4 Analysis on Monthly Performance Report.

The result obtained below shows that 73% of the respondent do not receive their monthly performance report and only 27% do. The table below shows the respondents position on the question of performance report

Table 4.3: Q5 Responds

<i>do you normally receive monthly performance report on your operation?</i>					
Categories	No. of Respondents	No. of Yes %		No. of No %	
Project/Camp Managers	21	4	19	17	81
Group Operation Managers	2	1	50	0	0
Project Accountant	4	4	100	0	0
Human Resource Managers	0	0	-	1	0
Executive Chefs	8	1	13	7	62
Supervisors	5	0	-	5	100
Regional Business managers	4	2	50	2	50
Total	44	12	27	32	73

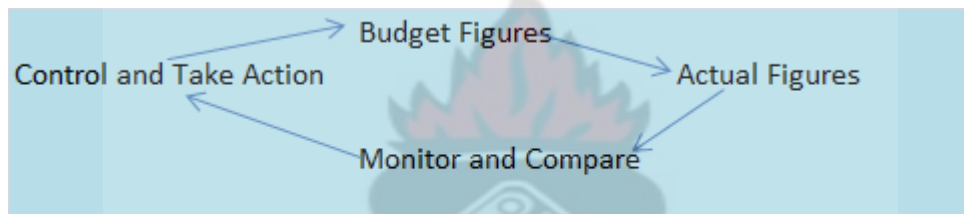
Sources: Fieldwork 2012

The only way ATS can improve upon its performance is to measure the result against the set target, pinpoint where there is bottlenecks or other performance problems, develop means and ways to arrest the situation for a better result subsequently. And if 73% respondents do not receive their monthly reports, the mind bothering questions, is how do they work, because there are millions of lessons to learn from the performance result, it can reflect your efficacy and productivity level, it forms the basis of your appraisal and subsequently promoted upon recommendations and it can finally earn the team a bonus. This responds would surely produce one-way result and the general performance level of the company will not change in any way.

The key among these respondents is the project/camp manager's categories that score 81% for not receiving monthly performance report. Been the hub of operation, there are a lot of factors that they need to re-examined and improve upon on the monthly basis which are the key performance indicators of the operation, these are the average food cost per meal, average meal served per employee (this determines whether the project is under or over staffed), the total material cost as a percentage of the revenue (this helps in material control), the total employment cost which

includes senior managers (Mostly expatriate) and junior and senior employees, as a percentage of the revenue and above all the profitability of the project both in gross profit margin and the net profit margin. These indicators help one individual to approach the operation differently independent of the result of each month.

As per the diagram below, the reason for the performance result of the budget is to enable management to use budgetary control to monitor and compare the actual results, so that action can be taken to modify the operation of the business as time passes or possibly to change the budget for the operation if it becomes unachievable.



Source: AS Accounting for AQA: budgeting and budgetary control.

4.5 ATS Budget - Based Motivation (Bonus)

In a quest to improve project performance and to meet the set target for the various projects, ATS has set up bonus scheme that award the deserving project managers and their team on the monthly bases. These schemes take into consideration the year-to-date performance of the actual result compare to the budget and if the target is met the full score is awarded accordingly for which the beneficiary get financial reward.

Motivation is that zeal or hidden force that encourages one to drive toward achieving a specific goals or targets. The employees are ginger by such rewards (bonus) and are therefore expected to work in achieving such goal if and only if that reward plays its role as a motivating factor.

Even though motivation is a factor adopted to boost employee's morale in achieving a set target, it throws a big challenge to most managers as it emanates from within employees and it significantly varies from one individual to another. This challenges dates back to pre-industrial era. At the beginning of the 20th century, several scholars including Maslow, Herzberg, FW Taylor, etc propounded several theories regarding motivation (Martin 2001). Defined as the forces either within or external to a person that arouse enthusiasm and persistence to pursue a certain course of action, employee motivation affects productivity, and compels managers to channel it towards the accomplishment of organizational goals (Daft, 2008). Motivation is said to be a sure shot trick to improve productivity. A motivated employee is guaranteed to be an asset to the organization.

Different things motivate every person; monetary rewards motivate some people while others are motivated by recognition or career possibilities (Kempton, 1995). Motivation theory is important for HRM because it helps understand which individual firms needs have to meet in order to satisfy workers. Abraham Maslow and Frederick Hertzberg, two dominating scholars of behavioural theory (Kempton, 1995) while discussing the relationship between individual motivational factors and job satisfaction, claim that in order for firms to understand what motivates people and thereby increase retention rates they should understand basic human needs, both psychological and physical. If employees have needs that are not fulfilled, it could be assumed that they will be dissatisfied and thereby eventually leave the organisation in search of fulfilment elsewhere.

It is in the same vein that most managers in ATS raise concern about the financial bonus calculation as it is based on year- to- date, this presupposes that, if the

foundation is good, you are likely to build on it positively. In ATS management rotation situation, one manager starts project very poorly, and due to rotation, he is move from that project to another and as the new hard working manager inherited that the ill-performed legacy, despite subsequent result being good, and is being measured one year to date, which is a major concern for most of the managers, in this case, the essential factor of motivation is missing and managers cannot put up their best.

Another de-motivating factor in ATS structure is the way manager's salaries are scaled; this also came out during the oral interview when managers are expressing their feelings. Once motivation emanate from within an employee, the psyche of this employee will not promote improve performance and this category of employees whether the performance result is good or not, it does not make any difference.

4.6 Participatory Budgeting

Out of 100% questioned on their involvement in budget building or review for their respective projects, only 43% do involved themselves in this exercise as indicated in the table below:

Table 4.4: Budget Review and Participation.

Have you ever been involved in the budget review exercise, either by providing the needed information or by being questioned on any shortfalls on your budget?

Categories	No. of Respondents	No. of Yes %		No. of No %	
Project/Camp Managers	21	9	43	17	81
Group Operation Managers	2	1	50	0	0
Project Accountant	4	4	100	0	0
Human Resource Managers	0	0	-	1	0
Executive Chefs	8	1	13	7	62
Supervisors	5	0	-	5	100
Regional Business managers	4	4	100	0	0
Total	44	19	43	30	67

Sources: Fieldwork 2012

As per ATS budgeting structure and procedures, a more realistic and reflective budget need the field workers participation, more especially, the project/camp managers to provide the updated information on the scope of work and it is only through that they can be held accountable for any shortfalls on their operation. So if 67% of the respondents do not participate in this exercise, that pre-supposes that the budget may not be a realistic budget to work with, and any decision taken based on this will also not be the true picture of the situation of the project and therefore not healthy for the development and growth of the organization.

Another question the researcher is concerned with is how do the regional business managers 100% fully participated in the process at the blind sight of the main activists who are the project managers, how do they get their information to review the budget? Do they rely on historical performance of the business and forecast on that basis? These are questions one needs to understand by analyzing the result above; because the score of the project managers should have a direct reflection on that of the regional business managers considering the very structured nature of ATS budgeting approach.

When question is posed about how the respondents feel when their monthly performance report do not meet the set target, about 58% feel discouraged and hope for a brighter future on their performance whilst 19% feel normal and the rest 23% skip this question. The indication is that the wish is not met and the respondents equally responded in affirmative when the follow up question was asked whether they would do things differently. Below table shows how the respondents reacted to this question:

Table 4.5 Do you feel discourage if the performance is bad

<i>Do you feel discouraged if the performance is bad?</i>					
Categories	No. of Respondents	No. of Yes		No. of No	
			%		%
Project/Camp Managers	18	12	67	6	33
Group Operation Managers	2	1	50	1	50
Project Accountant	4	0	-	0	0
Human Resource Managers	2	0	-	1	0
Executive Chefs	8	8	100	0	0
Supervisors	5	0	-	0	0
Regional Business managers	4	4	100	0	0
Total	43	25	58	8	19

Sources: Fieldwork 2012

The mix responds and a skip of this question stem from the fact that, the impetus of the budget is not well digested among the users, whilst some of the budgets are strategic based and used as a stepping stone for bigger project ahead with the same client, others are cost-plus and full catering services which are profit-oriented. It is always clear to those who are in charge of profit oriented project if the project did not make profit at the end of the day but confuses the strategic based project holders if the bottom line is a loss.

4.7 ATS Activity-Based Budgeting Approach Analysis

According to the Journal of Management accounting research, volume fifteen (2003), activity-based budgeting, as the name implies, the ATS-approach focuses on generating a budget from an activity-based model of the organization, as opposed to the traditional product-market, responsibility centre or departmental focused. The ATS-group's fundamental thrust is to expand activity-based and capacity management concepts into budgeting. The ATS-group contends that budgeting serves a primary planning role and that budgeting suffers because the financial oriented, higher-level budgeting process is not adequately connected to the underlying operational model of the organization.

The essence of the ATS- approach to budgeting approach is the closed loop model, unlike the classic budgeting approach; the closed loop model creates an operationally feasible budget before generating financial budget. At stage 1 of the budget, the operational loop, uses activity-based concepts to convert the estimated demand for products and services into resource requirements, using resources consumption rates.

Once the activity and resource consumption requirements are known, the ATS approach works to achieve an operational balance between the resource required to fulfil the demand and the resource available (capacity). If the initial plan leads to an imbalance, the organization can adjust the resource capacity, resource consumption or activity consumption rates.

In the case of the financial loop, financial plans are developed based on the operational plan. Financial plans are achieved when the plans meet the predetermined financial target of 15% profit before tax. Once the organization knows the demands, activities and resources, it determines the cost of resources, traces them

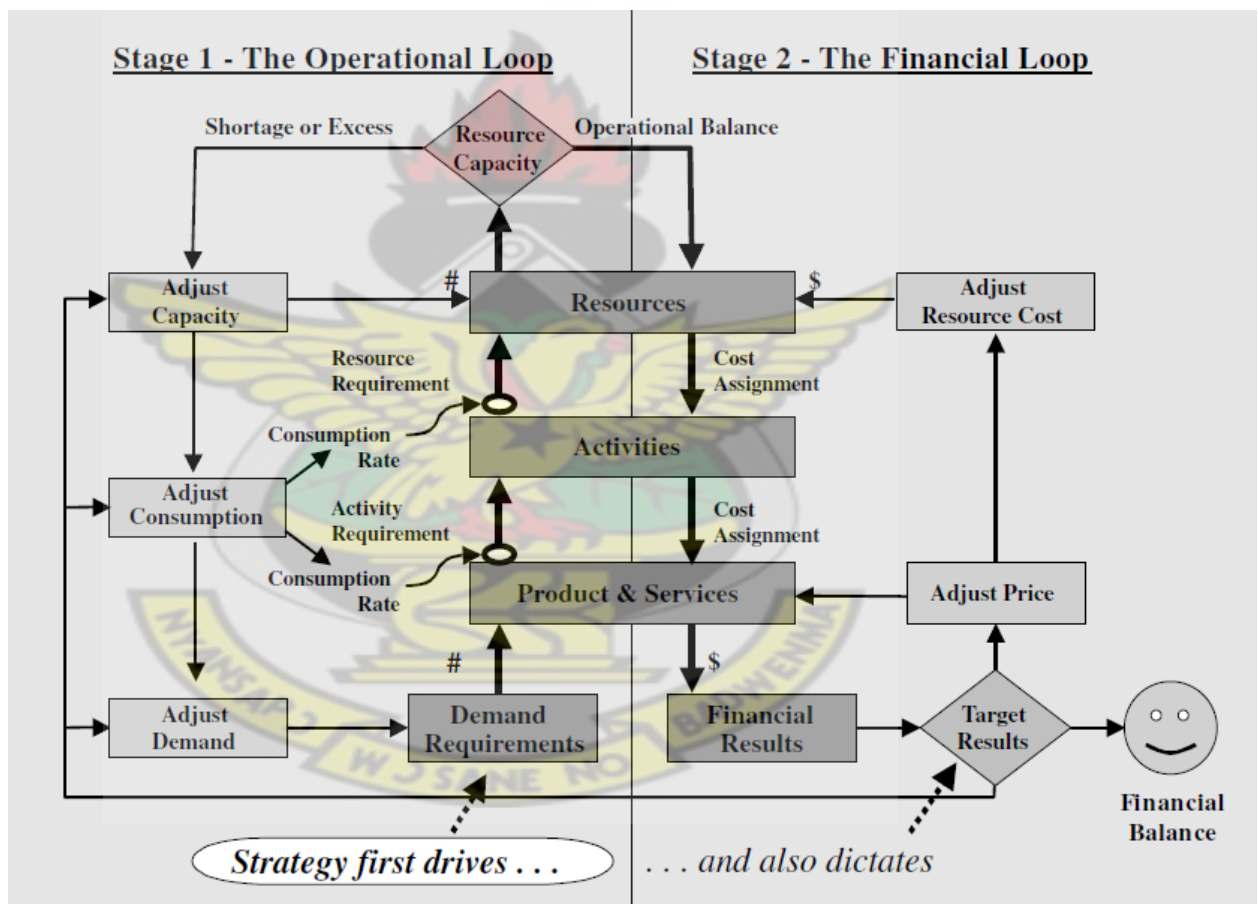
to activities, and then to products/services. If the initial financial plan is not balanced, the ATS-approach allows the organization to adjust four possible elements to achieve the budget target: i) activity and resource consumption rates, ii) resource capacity, iii) resource cost and iv) product/service price.

There are several potential benefits associated with activity-based budgeting approach, (Hansen and Torok, 2003). First, by first balancing operational requirements, the ATS-approach avoids unnecessary calculations of the financial effect operationally infeasible plans. More importantly, the ATS-approach focuses on generating a budget explicitly from activities and resources. Because it incorporates batch, facility and other types of cost drivers not found in traditional budgeting systems, it highlights the sources of imbalances, inefficiencies, and bottlenecks. These insights allow better product, process or activity costing and decision making, and better resource allocation to support organizational priorities.

Secondly, the more sophisticated operational model in the budgeting system provides a richer set of tools for balancing capacity. The explicit analysis of resources capacity and the increased visibility of resource consumption allow organizations to identify capacity issues and make adjustments earlier in the budgeting process.

Thirdly, and most importantly, the project managers, regional business managers can more easily communicate budgeting information in operational rather than in the financial terms. Similarly, by providing an understanding of how resources and activities are related, activity -based budget helps managers understand how to perform their jobs.

Table 4.6: An overview of Activity-based budgeting approach



Source: Consortium for Advanced Manufacturing–International, Cost Management

Systems, Activity- Based Planning and Budgeting Group

In summary, the ATS-approach marries a more complete operational model with a detailed financial model. The resulting closed loop model yields operationally feasible budgets with activity and resource consumption highly visible and sources of imbalance or inefficiencies identified. The resulting transparency of activity-based budget potentially promotes the allocation of resources to their best uses in line with organizational priorities, decreases the scope of political gaming, enhances decision making and performance evaluation, and improves operational flexibility.

One potential limitation of this approach is information availability about activities, processes and the resources, the main reason why the 43% scored by the source of employees input into the budget building and review should be of major concern to the organization, is because the hub of ATS sources of budget information emanate from the field of work of which the project/camp managers are the main custodians.

4.8 Discussions

One may ask, what are the opportunities and challenges ATS are confronted with on its way in implementing more flexible and effective enterprise control and performance management systems? Can the Company do without budget - is this realistic and feasible objective? The researcher will explore this question by looking Beyond Budgeting Performance management Systems.

ATS budget institutionalizes a set of tools and procedures that lead to monthly and annual performance contract between the project managers and the regional business managers, between the regional business managers and group operational managers, between the group operational managers and CFO, CEO and the Directors of ATS.

These tools and procedures are the hallmarks of the operation and form the basis of the contract they won and ATS as a company cannot do without budget.

One of the major challenges confronting this company is lack of synergy between the operation and the budgeted figures. Key actors only adhere to the budget in principles but do otherwise on the field, even though dynamism and flexibility are practiced on the field of work due to client's operational movement in terms of changes in scope of work, this need to happen within the context of the budget. In some of the Muslims-dominated country where ATS operate like Mali for example, during the season of Ramadan, there are switch in revenue target from the meal dominated revenue to the commissary revenue. The reason been that during their prayer and fasting period, they move away from food and convert the money allocated to spend on the mess meals into shopping, the most dominant commissary items been sugar and milk, in this case, a more dynamic project manager must shift his costing post accordingly to balance the equation, otherwise much waste will be created in the system. But interestingly, these do not happen in the Christian dominated country, when the meal revenue drops drastically during the Christmas period, this cannot be seen in any point of sales, in the same vein the project manager also need to act accordingly. One could imagine the cost effect of a country like Zambia that serves about eleven thousand meals daily, if this dynamism is not practiced.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Budgeting, budgetary control and performance measurement are very key ingredients in building any successful business. There is no gainsaying the fact that, business can succeed without planning and directing which is control and without measuring where you are, where you are going and how far you are from the target. In this study, the objective is to establish the relationship between budgeting, budgetary control and performance measurement and to collect views from the key players of this company about how the budget impact their projects and to what extent budgets are used in their daily operation.

In all 44 employees are interviewed at different levels within ATS and data collected inform of questionnaires and in addition, data is also collected from oral interviewed from the participants of the on-going training program.

5.2 Summary of findings

The summary of the findings are presented on the objectives addressed in the study. These objectives are to established the perception of the project managers in the uses of budget on their various projects, their participation on budget building and review, their understanding to project-budget procedures and how effective budget can be used as a control measure for performance improvement, investigate how monthly performance reports are disseminated, the usage of such reports, lessons drawn on it and how such lesson impact on the subsequent performance.

The gender proportion in ATS organization is 11% females to 89% males based on the population size and category of employees involved in this study, that notwithstanding, the total female employees for the group according to human resource report of June 2012 was eleven thousand, one hundred and six (1,106) representing 35% of the total labour force whilst that of their male counterpart for the same period stood at two thousand and eighty four (2,084) also representing 65%. In a total of three thousand, one hundred and ninety four employees (3,194), 9% represent senior staff that normally play supervisory roles, 86% classified as junior staffs who are non-skill labourers and 5% representing expatriate who play managerial role and among this 5% are also local senior managers who are in this category.

On the budget awareness, about 57% do not know that there is a budget for their project; hence they are not using the budget on their daily operation whilst the rest 43% who knows about it do not use it fully as expected.

About 58% of the respondents feel discouraged if the performance is bad on their monthly performance and 19% feel normal when the performance is bad whilst the rest 23% skip over this question, the discomfort on a bad result is the source of performance improvement, this discomfort can serve as a motivating factor to adopt a different approach to the operation.

The findings also revealed 67% do not participate in budget building or review, a situation which is not healthy for a very realistic budget as ATS practice an activity-based budgeting which needs much information from the field of work. And the respondents in this circumstance are the source of information through the Regional Business Managers and to the budget team; by and large the budget team also has

direct contact to the project managers to digest any ambiguous information. As the budget is activity-driven, the mine activities keep changing at various stages of the mining operation for which they keep the project managers inform to enable the project managers plan their services accordingly.

5.3 Conclusions

The aim of this research is to establish the practice of budgeting, budgetary control and performance measurement within ATS. The research established that the use of budget among the key actors are at the lower level, it is also established that monthly performance report do not get down to the project managers, and most of the drifts in the performance in respect of meal cost and the number of employees for a project are misplaced in the budget. Even though the budget template looks complex, it is also established that the key actors readily catch up when taken through. Most project managers are also willing to participate in the budget building as they would be made to account for it at the end of the month. Again the communication flow between the Regional Business Managers and the project units on budget related issues is also established to be minimal. It also came to light that project managers' rotation are done without recourse to the budget thereby creating budget deficit in most cases and that affect the performance level of the projects.

5.4 Recommendations

With the summaries and conclusions above, it is recommended that the regional business managers have to champion the course of the budget information dissemination down to the project units, so that the project managers can appreciate and understand the tools for the operation, by so doing the projects managers participatory level in budget review and building will increase to enhance

productivity. The selection process in the recruitment of project managers must also include a certain level of computer literacy and understanding of figures and budget education should be included in the induction program for the new project/camp managers, and in all these, regional budget managers are recommended in each region of ATS operation who can culminate and verify information before it gets to the Group Budget Manager.

The project managers should also possess good oratory skills to develop good rapport with the client, that's the way changes in scope of work can be promptly communicated and likewise invoices also pay on time.

It is also recommended that, there must be performance appraisal, scrutinized and approved before project/camp managers are promoted, the Group operational managers and the regional business managers hold too much power in promoting project managers.

The salary structure ATS is working with needs to be overhauled to promote fairness and motivation, high responsibilities should match with its related remuneration and academic qualification must be respected in the group. Expats or project managers movements from one project to the other should be carried out in consultation with the budget, this cost carries much weight and their movement should therefore be weighed within the context of the budget in question. The set target of the project should not be limited to the few senior managers on the project but the majority of the workers more especially at the supervisory level must be in a known. ATS management to include budget education on the induction calendar for new project managers and in a situation where the project manager is not of certain academic standard to understand the budget, assistant project manager for that matter should be

of sound understanding of the budget in order to help direct affairs in their rightful perspective.

Finally, a multi-national menu engineer consultant is recommended to steer the affairs of meal costing across the group, taken into consideration the prevailing economy circumstances of the country in question.

5.5 Limitations of the Study.

The study is centred on budgeting and budgetary control, how project managers of Allterrain Services Group execute their daily task prone of budget consciousness.

The research faced several challenges in the collection of data across the ten African countries which represent the group and because of that several man hours were expended chasing gathering and analyzing data both through the electronic media and from our colleagues travelling across the group. Even though this study is made to produce the understanding of how actively the key actors use their budgets in their operation, conducting the research is without the following limitations:

- i. There were unwillingness on the part of respondents to respond to the questionnaires with perception of been exposed, as the researcher is coming from the head office, the seat of CEO.
- ii. Difficulty in accessing other key actors of the study due to demographic constraints
- iii. The sample unit of the study is stated as ATS Group and those who cannot be accessed for data gathering, were reached by emails telephone across the group.

- iv. It is very expensive to travel across the group therefore relying on travel desk to keep posted on all the travel schedules in order to get the questionnaires across through any colleague.

5.6 Suggestion for Further Research

Due to the scope of research and limited time, most of the production team were not interviewed to seek their views on how they carry out their daily duties, in pursuance of this a further investigation needs to be carried to ascertain this and it should be project or regional based so that the researcher can have full control of data gathering and its analysis.



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APPENDICES

QUESTIONNAIRES

Introduction

This questionnaire survey forms part of a research being conducted by CEMBA student of KNUST-IDL. The research aims to investigate Budgeting, Budgetary Control and Performance Evaluation with specific reference to Allterrain Services Group. This is not sponsored by the company but for own studies.

These questionnaires are solely for thesis analysis purposes only with which the company has the right to see the result. However, it is not an intention to release individual questionnaires to any person(s).

The questionnaires are designed for managers and junior staff (Project/Camp Managers, Regional Business Managers, Group Operation Managers, Chefs and Supervisors) and will take approximately five minutes. You are kindly requested to answer all questions. Your contribution is greatly appreciated.

The survey is for dissertation purposes only and all responses will be treated with strict confidentiality. The questionnaires are designed to be anonymous and if you believe any question will not provide this, please leave that question blank. Thank you.

Demographic Data:

Age

Sex

Position

1. Do you know there is a budget for your project?

Yes

No

2. How relevant is the budget to your operation?

Not relevant

semi-relevant

Very relevant

3. Have you ever been involved in the budget review exercise, either by providing the needed information or by being questioned on any shortfalls on your budget?

Yes

No

4. Do you feel comfortable working with the budget or using the budget as a working tool?

Yes

No

If No: your areas

of concern

i.

.....
.....

ii.

.....
.....

iii.....

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5. Do you normally receive monthly performance report on your operation?

Yes

No

If Yes, please

answer below:

i. Do you feel encouraged if the performance is good: Yes

No

ii. Do you fee discouraged if the performance is bad: Yes

No

iii. Do you try to do things differently if the performance is bad: Yes

No

iv. Are you anxious to see the following month performance: Yes

No

SELF EXPRESSION: How do you feel about ATS budgeting procedures?

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Thank you for your time.