

# Budgeting essays example

[Business](#), [Management](#)



Budgets are a major part of management, designed to ensure efficiency in resource use. Behavioral aspects in budgeting are crucial to the success of the budgeting process. Budgeting highly impacts human behavior . i. e. motivation and dysfunctional behavior. Since individuals react to budgeting demands differently, their behavior may damage the budgeting process. Behavioral problems linked to management styles include dysfunctional behavior and budget slack. Budgeting is a form of communicating organization's goals to the managers. Therefore, budget managers develop attitudes that maintain cooperative relations with staff.

Budgeting involves two behavioral aspects. On one hand, is the authoritative approach adopted by managers, which considers the hierarchical structure of the organization. Budgets are designed on a top-down basis where standards are enforced on the workers. This is consistent with the traditional models by Henry Fayol that portray employees as less self-motivated. A top-down budget therefore encourages laziness, calling for constant supervision. On the other hand, management adopts a participative approach which incorporates employees in the budgeting process, bringing out their competencies. This is also termed as the bottom-up approach in budgeting. This approach enhances employees' commitment and motivation towards goals and targets. The level of employees' motivation greatly influences achievement of organizational goals. In reality, the top-down and participative approaches to budgeting are not perfect as the actual process depends on management control, organizational and a country's culture. There occur some conflicting goals in budgeting. Some include; individualism-where managers are involved in budget setting so as to set

easy targets, and short-termism- where managers cut down on discretionary expenditure with an attempt to hit short term profit targets, which may in turn wear down the organization's long term proficiencies

## **Reference**

Hopwood A G, An Accounting System and Managerial Behavior, Saxon House, 1973