

# Unilever limited case study sample

Business



## **Shifting from Traditional budget to Rolling budget, its impact on the Management Control System – Case Study Unilever Limited:**

Introduction Budget is the quantitative expression given to a business plan or strategy for a well defined time period. It in general includes planned revenues and sales volumes, expenses and costs, cash flows, and liabilities (CIMA, 2005). Traditional budgeting adopts a structured approach and it can give accurate predictions.

The traditional budgeting process consumes a lot of management resources, focuses mostly on the financials rather than on how strategy has to be executed, and it is also time consuming. As the focus of traditional budgeting is on the annual forecast, in most cases the financials are outdated (Bogsnes, 2008). As the business environment at present is volatile and dynamically changing, businesses require better ways to predict the future in order to survive, and remain competitive. Companies are increasingly shifting to rolling forecast, as using this process, the key business drivers can be forecast on a continuous basis. As through rolling forecast, planning can be done continuously even under intense competition and volatile business environments organizations can operate strategically, and thus gain competitive advantage (Garlapati & Durga, 2011).

Brief literature review Rolling or continuous budget is a budget system or process having a fixed time span, which is updated on a regular basis (yearly, quarterly or monthly), and offers an overview of upcoming periods. By adopting the rolling forecast budgeting process, organizations can iteratively focus on their future (De Leon et al, 2012). As rolling forecasts are <https://assignbuster.com/unilever-limited-case-study-sample/>

dynamic in nature they require regular updates, in opposition to traditional budgets that are prepared on a yearly basis. Rolling forecasts are less detailed, showing only the key performance indicators, and they are not targeted towards evaluation, motivation, and delegation (Tanlu, 2009). Rolling forecasts offer companies ways to advance their operational and financial management, allows them to devote more time to value added activities, and speeds up the decision making process.

It encourages organizational flexibility, continuous learning, and improved communication both inside and outside the organization. Rolling forecasts are most used for financial communication, cash flow projections in relation to debt management, and tax planning (Lorain, 2010). Though implementation of rolling forecasts has many advantages, when a company is not able to handle it, the implementation may prove to be harmful to the organization. For successful implementation of rolling forecasts, skilled accountants are required who have an understanding of the environment in which a company operates, knowledge of technical processes that can help save time on the preparation process, and the ability to analyze the forecast information for predicting future needs (Sivabalan et al, 2011). Research focus The focus of this research will be to understand how companies who are currently adopting traditional budgeting process can move to rolling budgeting process efficiently. For this the processes involved in the implementation of rolling budget, and the necessary changes in the financial process to be adopted will be explored.

The ways in which the budget process change can influence the Management Control System (MCS) as a package will be discussed. To better <https://assignbuster.com/unilever-limited-case-study-sample/>

understand the implementation of rolling budget, case study analysis method will be adopted. The budgeting strategy implemented by Unilever will be analyzed to gain insights into the benefits, and implementation process of rolling budgets. Research method - Case study As the advantages offered by rolling budgets are high, many companies are switching to flexible and efficient forecasting tools. Unilever during 2012, in the first quarter profits showed an 8.

4 percent increase in profits despite the low market expectations. The company has shown sustainable performance despite the low global economy, competitor activity, and fragile consumer confidence (Quinn, 2012). Unilever shifted from traditional budgeting to rolling budget in order to improve their ability to forecast. The company has efficiently handled the change process from traditional to rolling budgets (Johnson, 2011). Case study data collection By adopting qualitative case study approach in research, a phenomenon can be explored within a context using multiple resources. For collecting data relevant to the case study, qualitative data will be gathered from official documents from Unilever, its official website, archival records, academic journals, and accredited websites.

The data so gathered will be first organized, and depending on the relevancy of the data to the focus of the research, it will be further analyzed.

Conclusion In this research the process changes and implementation changes involved in shifting from traditional to rolling budgeting procedure will be explored. Apart from dealing with concepts related to budgeting using literature review, research will also include case study analysis of Unilever, and its rolling budget implementation. Through the case study analysis and <https://assignbuster.com/unilever-limited-case-study-sample/>

literature review, the ways in which control rewarding systems, and reporting systems are affected while implementing a rolling budget process will be understood.