

The Budget Management and the Board Management Agenda

Lucian OCNEANU

George Bacovia University, Bacau, ROMANIA

Keyword: *management, buget, information*

Abstract: A budget is a detailed plan outlining the acquisition and use of financial and other resources over some given time period. It represents a plan for the future expressed in formal quantitative terms. The act of preparing a budget is called budgeting. The use of budgets to control a firm's activities is known as budgetary control.

The budget management, as a management technique, relies on the forecasts elaborated when taking into consideration the internal and external conditions of the enterprise. Starting from these forecasts, the responsible receives tasks, programs and means of realizing them within certain duration of time expressed in value terms. Within the managerial practice there exist a permanent use of a comparison between budget and expenditures in order to establish differences, this giving content to the internal managerial control.

The budget management it is not linked only to the accounts, it is a true technique to administrate the enterprise, a philosophy of firms management, and it supposes to go through three phases: forecasting, budgeting and controlling. These three stages enable to get the necessary information for the management department in order to draw up the board management agenda - which represents a main path to relate the microeconomic informational subsystem at the level of the enterprise.

A first stage of the budget management is the forecasting. This can be defined as "a voluntary attitude, a scientific and collecting one facing the future actions". One of the fundamentals of the forecasting is the scientific method. Flair, intuition are rejected apriority, but they must operate within an internal well-defined framework. This operation may be achieved by an economist devoted to the enterprise; it may be the result of the reflections of a responsible of the enterprise able to issue three hypotheses (maximal, medium and minimal) and starting from this point on to establish possible budgets for the future without having the justification of the sources or of the reasoning idea.

The budget relies upon a very spread concept at the level of the collectivities. This concept can be defined as "prevision of a set of incomes and expenditures", marking from the very beginning its financial character. The budgets of the enterprise have different specific characteristics, but these characteristics can be comparable each other, thus facilitating their re-grouping in to a general budget.

The budget can be defined following some directions, such as:

- attributing objectives and means;

- microeconomic equilibrium;
- attributing responsibilities;
- the economic evolution reflection;
- economic model.

A policy, at a certain level, is defined through objectives, goals and means of achievement. The budget comprises, in figures, two elements:

- at the level of goals and objectives, the sales budget is to be found, the production one, the investment one, all defining on short and long term, with specific instruments, how the enterprise activity will be carried on;
- at the level of means, one can find the production expenses budget or the distribution one, the supply budget, the treasure budget, the personnel one.

The budget represents a closer or farther future projection of a series of cash comings, one of them being normal, such as sales, others being exceptional such as investments. The aggregate equilibrium can be achieved in relation to the dynamics of the enterprise, of its development, of the succeeding of the engaged actions.

Any figures and objectives illustration in a budget supposes the immediate setting of responsibilities, in order to attain the aimed objectives, without using more means than those forecasted ones.

From the notion of responsibility it results the obligation of a tight relation between the budget and the general organization of the enterprise. The last one supposes an organization chart and a function status, a document which enumerate the assembly of tasks of the function holder. The budget is never but the translation in figures of the documents. This does not means that the budget should rely itself upon the existing organization.

The influence exercised by the economic evolution upon the activity of the firm determines a series of adjustments all along the duration of a period. At the level of the enterprise, the adjustment is done in two ways: the flexible budget and the revision of the budget. The flexibility of the budget consists in that every expenses budget is defined in function of the activity of the services considered.

The revising of the budget means that every budget can be shaped when the exterior circumstances asks it or when the other budgets from which they depend are themselves ready to be modified. Any enterprise has a investment plan subdivided in several annual parts which gives series to the budgets. Any slowdown or acceleration in the firm activity will engage a concomitant variation of the engagement of the investment budgetary parts.

The budget as an economic model is the simplified representation of the way in which functions the assembly. At the economic level, more précised, it is about a mathematic an accounting model in other words, a schematic representation of a reality appreciated from the monetary point of view . It is represented under the form of a series of equations, some of them accounting ones and others behavioral ones. The accounting equations permit the link of some posts to the others.

The third stage of the budgetary management is the control, which may be defined as compensation between previsions and realizations". At the level of applying it, the control supposes to carry on several stages:

- setting the differences;
- the selection and the communication of the differences;
- explaining the differences.

The first stage of work, setting the differences, refers itself to the following problems:

- comparability between previsions and realizations;
- the operation of knowledge

In order to compare it is necessary that these budgetary categories be comparable, their accounting structure be identical with the budgetary one. This means that the budget should be calculated in relation to the accounting organization. Implanting a budgetary system risks to disturb partly the accounting plan used by the enterprise, each having its particular way of viewing things.

The difference that results at the end of the comparison can indicate a management error. In order that the information should be useful to the person interested it must be achieved in time. If the previsions are known in advance, the achievements are settled with some delay.

The management board table contains a set of current information, presented in a pre-established form, referring to the main results of the firm activity or of some of them and to the main factors conditioning their efficient carrying on .

The board table represents thus “a short-term action instrument, comprising a limited number of indicators linked to the important decisions and the firm's objectives, aiming to turn into evidence the existing differences between provisional and achieved”¹.

The board construction aims many ways able to permit the checking of the equilibrium of the dimensions of the aggregate performance. Among these ways, the most important ones can be considered the following (table 1):

- Financial orientation – the information regarding the performance of an enterprise, especially its profitability, are necessary for the assessment of the potential modifications of the economic resources which the enterprise will be able to control in future. These information are useful in order to anticipate the capacity of the enterprise to generate treasure flows with the help of the existing resources.
- Clients' orientation – refers to measuring the satisfaction and the fidelity of the actual clients and also the efficiency for each category of clients. At the same time the board table should make possible the estimation of the potential growth of the market share through a new segmentation of it.
- the orientation towards the internal processes – refers to the analysis of the innovation processes, production and maintenance service. These processes have direct incidents upon the clients' satisfaction and upon the financial objectives of the enterprise.
- *The orientation towards organizational experience* - refers to measuring the deviation between realizations and the possible performance amelioration. The organizational experience constitutes itself as an instrument for reducing the deviation and implies human resources, systems and procedures.

Financial orientation	Long-term efficiency
Clients orientation	Clients' satisfaction (segmentation)
Internal processes orientation	Innovation, production maintenance
Orientation towards the organizational experience	Innovation, production, maintenance, systems and procedures

Fig. 1. Ways permitting the checking of the equilibrium of the aggregate performance within the board table²

Practically, the board table is achieved with the aim of controlling, monitoring and communicating the firm strategy. The board table is based upon three types of analysis:

- the analysis of the causality relations: the measured elements are being integrated within a causality chain defined in ratio to the strategic orientations;
- the analysis of the determinant factors producing performance : the most important indicators are the financial and generic ones (efficiency, clients' satisfaction etc), but the specific ones too, chosen by the enterprise;
- the analysis of the financial relations: causality and the determinant factors for the performance are explained in the end by concrete results expressed in financial terms. These indicators permit a communication and a clear and objective vision of the efforts fulfilled within the strategy.

The volume and the structure of the presented information make the difference within the board tables into restraint ones., with a relatively small volume of daily information, which imply reduced efforts for collecting and sending information and complex board tables, their destination being a greater information referring to all major aspects implied in the activity of the respective organism of participative management.

¹ Albu Nadia, Albu Cătălin, “Instrumente de management al performanței – Control de gestiune”, Editura Economică, București, 2003, pag. 106

² Tabără Neculai, “Modernizarea contabilității și controlului de gestiune”, Editura Tipomoldova, Iași, 2006, pag.148

Minimal requirements which should be fulfilled by the board table aim integrity, seriousness, aggregation, accessibility, equilibration, expressivity, adaptation and economy.

This requirement constitutes the premises the the board table fulfilled its main functions defining its content:” of advertising, assessment, diagnostic, elimination of the negative aspects and generalization of the positive elements”³

Within this context, one can specify a series of advantages of the board table:

- amplification of the degree of funding decisions, adopted by displaying in front of the person who is taking the decision some operational information, relevant aiming the main aspects of the enterprise;
- rationalizing the use of the labor time of the managers and other participative organisms by orienting the activity towards key problems with which the firm is confronting;
- the increase of the managers responsibility for the activity undertaken, the board table offering those, a synthesis of the aspects and the critical fields upon which they must concentrate their efforts;
- approaching the information referring to the management activity in a systemic view and implicitly, creating the superior conditions;
- assuring an operability high standards of quality of the reports coming from divers organisms, with the help of computing techniques;
- the use of some adequate criteria in order to appreciate the contribution of each staff for the obtaining of the economical-financial results of the firm.

In spite of these advantages, the board table also presents some disadvantages generated by the:

- the repeated registration of some information, in the circumstances asked by the board table and the current reports of the firm to different organisms in the system from which the firm belongs
- the volume of work solicited for finishing the claimed situation from the board table, especially in the case in which the collecting, registration, sending and processing of the information is done by hand;
- the cost relatively high of the board table, if the action of filling it is a singular one, and the assembly of operations for collecting, registering, sending and processing the information is realized by electronic means

In this context, knowing the achievements of the enterprise remains one of the main preoccupations of the management control, too. With or without the budgetary management, the leading and control of the enterprise are based on recent information of any kind, relative to its performances.

The accounting management enables judging the performances and identification of responsibilities as it deals with the internal information flows, and it represents a deficiency by delaying presenting the results of its powerful accounting

That is why the management control needs some instruments able to respond to its specific needs meaning:

- knowing the essential leading techniques information
- these data the most rapidly possible and in a permanent way.

One may take the conclusion that the board table is a communication and decisional instrument enabling the management control to alert the manager in case of some key point of its management structure in order to improve it.

Such an informational system is not sufficient but only if the its concept responds to some precise rules necessary both for its functioning and its content. The presentation of information can have various forms, and it must respect some constraints linked to cohesion and pertinence. In this case, the assembly of board tables of the enterprises asks for dialogue and motivation of the responsible. Its role overpasses the simple control function.

In the process of conceiving it and putting it into practice there are some imposed principles:

- coherence in the organization chart;
- a synoptic and unitary content;
- rapid sending and elaboration.

Coherence in the organization chart because one of the shortcomings formulated about the traditional informational accounting systems is the non-location of the responsibilities. The shaping of the board tables should respect the shaping of the responsibilities and the hierarchic directions.

For the assembly of the firm the drawing of the board tables should match the authority structure represented in a pyramidal way in which every responsibility belongs to the two teams:

- receives a delegation linked to power at the hierarchic level and it should periodically give report;
- delegate at an inferior level a part of its power attribution.

This structure obliges each responsibility level to adopt three types of communication:

³ Cojocaru Constantin, “Contabilitatea de gestiune”, Editura Moldavia, Bacău, 2002, pag. 368

- a decreasing communication, when a level shapes a delegation power with negotiated objectives to the inferior level;
- a crossed communication between the responsible persons situated on the same hierarchic level ;
- an increasing communication, when a level is responsible for the received objectives.

A synoptic unitary content – it supposes the selection among all the possible information of those essential for the management of the aimed responsible person. The choice relies in determining the pertinent indicators in ratio to the field of action and the nature of the receiver delegation.

This demand should permit the adding of coherent information for obtaining unitary indicators more and more synthetic.

For every responsibility centre one should watch the presented way of action. Although the search for performing indicators should not lead to a late completion of the table.

The rapidity in its elaboration and sending is often preferred to contain real estimated elements than the real precise ones but belatedly ones.

The board table is a control instrument and a comparison one, but the informational system which it constitutes make it a dialogue instrument and a communicational one and a real help for decision taking.

In the decisional process the board table fulfills many functions:

- enables a permanent control of the achievements in ratio to the fixed objectives within the budgetary action;
- catch the attention upon the key points of the management and upon the eventual deviations in ration to the functioning norms;
- enables the diagnosis of the weaknesses and the appearance of the abnormality having echoes upon the results of the firm.

The quality of this comparison function and the diagnosis process depends in an evident way upon the pertinence of the retained. Knowing the weaknesses should obligatory be completed by an analysis of the causes of these phenomena and followed by the adoption of some correction actions respecting the settled terms. Under these circumstances, the board table can be considered an efficient instrument for the decisional action, having a primary role within the assembly of the means incrementing the budget.

Bibliography:

1. Albu Nadia, Albu Cătălin, "Instrumente de management al performanței – Control de gestiune", Editura Economică, București, 2003
2. Bouquion Henri, "Comptabilite de gestion", Editura Economica, Paris, 2006
3. Călin Oprea, Cârstea Gheorghe, "Contabilitatea de gestiune și calculația costurilor", Editura Genicod, București, 2002
4. Cojocaru Constantin, "Contabilitate de gestiune", Editura Moldavia, Bacău, 2002
5. Ocneanu Lucian, "Decizia managerială și controlul activității economice pe baza informațiilor contabilității manageriale", Buletinul științific al universității "George Bacovia" Bacău, nr.1/2003
6. Paraschivescu Marius Dumitru, Păvăloaia Willi, "Contabilitatea și dezvoltarea economico-socială", Editura Tehnopress, Iași, 1999
7. Tabără Neculai, "Modernizarea contabilității și controlului de gestiune", Editura Tipomoldova, Iași, 2006