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BUDGETARY AND MANAGEMENT CONTROL PROCESS IN A MANUFACTURING: *CASE OF GUINNESS* NIGERIAN PLC.

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ABSTRACT

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Title : Budgetary and Management control Process in a Manufacturing Organization.

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Problem : What is the budgeting practice in the Nigerian Manufacturing companies?

Purpose : The aim of this study is to investigate the management control practice (budget being the tool for management control) in Guinness Nigeria Plc and to suggest what seems to us the most appropriate practice based on findings from literatures and empirics

Method : The study was described based on a qualitative approach. Furthermore, we described why we chose the company, sources of literature, techniques employed in data collection (primary data), research purpose, data analysis as well as critiques to the method use.

Conclusion : The Integration of strategic Management and Budgeting enhances competitiveness which when attained is translated as high performance.

Keywords : Management Control, Budgeting, strategy, High performance and Competitive advantage.

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Amalokwu Obiajulum .J. and Lawrence Njilefack Ngoasong.

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1. INTRODUCTION

1.1 BACKGROUND

Traditional budgeting has been criticized for a long time now for its inadequacy as a means of management control. Criticisms concerning its inadequate practices in a changing business environment emerged as early as the mid 1980's with Johnson and Kaplan (1987) seminal book *Relevance Lost*.

We could also note from the work of Allen (1998) who stated that the rapid changes in today's business environment renders a rigid approach to budgetary control obsolete. It is no longer helpful, in his opinion, to compare actual results to that forecasted anything up to 15 months previously. He argues that amongst the requirements of a more appropriate system, would be the building in of accountability to explain the differences between actual and planned performance. This demands a more immediate time frame of information reporting. Thus, there is a need to integrate strategic management and budgeting. We could point out the works of C. Adams et al (2003) to this regard.

These authors conceptualized that to be effective, budgets must be aligned with the organization's strategies, appropriate strategic planning, and performance management processes introduced, and must involve processes that are value based, consequential and continuous.

The work of Tim Blumentritt (2006) could be viewed as further contributions to the above stand point as he recognizes the need for organizations to integrate strategic management and budgeting. What seems rather unfortunate according to Tim Blumentritt (2006) is the fact that most organizations still treat the budgeting and strategic management processes separately and also, a significant portion of small- and medium-sized enterprises do not engage in strategic planning (Tim Blumentritt 2006, p.74).

Hence, the reason for this research work which is to investigate the question; "what is the budgeting practice in Nigerian manufacturing company?" The motivation for this study also comes from the work of Herath and Indriani (2007) who investigated on the "roles of Budgetary Control System (BCS) as a component of the Management Control System (MCS) in creating and sustaining competitive advantage" and came up with a positive conclusion.

They concluded that though BCS could play a leading role in establishing an efficient MCS for creating a sustainable competitive advantage, budgeting will not function in isolation (p.79). "Instead, it can be used more effectively by strategically joining it with emerging strategic oriented knowledge enterprise" (Herath and Indriani, 2007, p.79).

We intend to investigate the budgetary control practice of GUINNESS Nigeria Plc a manufacturing company and make suggestions of what seems to be the best practice based on literatures, articles and emperics.

Our choice for Guinness Nigeria Plc is related to the fact that it is a manufacturing company in a very competitive industry and lots of challenges faces Nigerian manufacturing companies as they struggle with economic depression and high inflation resulting from the IMF/World Bank led structural adjustment plan (SAP) implemented by the Nigerian government. These programs were initiated to promote the liberalization of the domestic economy, operations efficiency, productivity growth, privately owned enterprises development, economic growth, trade and investment. The economic liberalization policies have nurtured an open economy and have minimized the hurdles that the manufacturing companies need to clear in order to obtain raw materials and inputs, and other resources for productive activities. However, it has created an unprecedented change in their business environment through increased competition both in the domestic market and from imports into the country. Thus, manufacturing companies need to develop and implement a well-conceived strategic plan in order to be competitive in the business environment.

We will present a Management Control System model at the end of the research work. The logic behind this model is the need to integrate in a management framework strategic management and budgeting within the Manufacturing Industry. We believe that a management framework built on this principle will be a source of creating and sustaining competitive advantage which is translated as high performance. Thus, we will present a model including five dimensions.

However this paper will be presented as follows; chapter 1 covers the introduction, chapter 2 deals with literature review, chapter 3 treats the research method, chapter 4 deals with empirical data, chapter 5 will be the analysis and chapter 6 conclusions, findings and further research.

1.2 THE PURPOSE AND OBJECTIVE OF THE STUDY

The aim of this study is to investigate the management control practice (budget being the tool for management control) in Guinness Nigeria Plc and to suggest what seems to us the most appropriate practice based on findings from literatures and empirics. As stated in the introduction, there is a need for manufacturing companies in Nigeria to develop and implement a well-conceived strategic plan in order to be competitive in the business environment. Budgeting could be used to verify that the company is on the trajectory for reaching the strategic breakthroughs as it is set as the year one of the strategic plan (long-term plan). We will present a model at the end of the study to show how better a management control could look like in our opinion.

1.3 TARGET GROUPS

The target groups of our thesis are managers, business practitioners and scholars in the field of business management. This will enhance a deeper knowledge about how better a management control could be if it's essential tools are well integrated.

1.4 LIMITATION OF THE STUDY

The study is limited to Guinness Nigeria Plc. Benin City and if they are applying the concepts of budgeting in their operations and how well. As the organization under consideration is a manufacturing firm having to contend with competitors, we cannot justify the credibility of all information to be used for the study.

1.5 BACKGROUND OF THE COMPANY

The firm Guinness Nigeria Plc came into existence in year 1950 with the sole aim of importing and distributing Guinness stout from Dublin for eventual sales in Nigeria. Due to the success of the product in the country it gave rise to a decision to establish a small brewery in the year 1962.The foundation stone of Guinness was laid at Ikeja on the 31st January 1962, by Arthur Benjamin Francis Guinness (Lord Elveden) now the Earl of Irish to which titles he succeeded on his grandfather's death until 1967 in active services during the 2nd world war. Bringing the total of the Guinness stout Brewery to three in the whole world, Guinness decided in conjunction with UAC to build a Brewery costing 2.4 million naira at ikeja.
In 1965,Guinness Nigeria limited became a public company and was one of the first companies to be quoted in Nigeria stock exchange with shares being offered to Nigerian shareholders, 1200 Nigerian held 20% of the equity. The historical Guinness stout Brewery is located at OBA AKRAN in ikeja, Lagos.
In 1971, a decision was taken to build a new Brewery at Benin at a cost 12million to brewery larger beer, this was the biggest brewery ever built in Nigeria. Guinness established an eye clinic at Kaduna and later developed it into a hospital with opthalmogical unit in 1972.
In 1974, 4,000,000 more shares were sold to Nigerians, thus a total of 40% of equity was in the hands of 14,000 Nigerian shareholders. The Benin Brewery was commissioned and later lunched in the market in 1975, work began on expansion programme to the Harp lager brewery at Benin at a cost of 3million naira designed to increase capacity by 40%.
In 1978, 4,200,000 shares were sold to Nigerians. Nigeria Equity participation is now 60 %(51,000 shareholders) and overseas 40%.

In 1980, a decision was taken to build a new larger beer brewery at Ogba in Lagos at a cost of 57 million naira and this commenced production of harp beer in 1982.

The growth of the company has been encouraging because in 1962 it had only one brewery but at present it has 4 breweries. The turnover of 8 million naira in 1962 has increased to 180million naira in 1982; in the same production capacity has increased. Original capital employed was 5million naira but as at 1982 it has risen to 116million naira. Employees in 1962 were 380 as against 4,326 in 1982.

The company believes that investment in the training and development of its staff are wise investments. This has resulted in the establishment of training centers in Benin and Lagos (Ikeja).

Following the ban on importation of methods barely the company has conducted research into the use of maize and sorghum in place of malt in production of the different brands of beverages.

In the Nigerian market, Harp lager beer gained a remarkable success alongside Guinness stout, due to its good quality too hence received a wide patronage and now known as Guinness Nigeria PLC.

It was merely up to a decade of the brewery and marketing of harp that its brand loyalists started shifting their interest to the other hand. The complaint raised by Harp patronizes for gradually changing preference was as a result of the carelessness on the part of the brewers to eradicate particles discovered in the final product and these were major set-backs suffered by Guinness Harp.

In the year 1995 a new product line "satzenbrau" was in the market and it received attention in Lagos and west Ibadan to be precise for now.

In 1998 another product line "Malta Guinness", was also in the market and it has received attention all over the country and outside the country.

It indeed received acceptance and as such requires effective management system, to guide against the future of all lines of product carried out by Guinness Nigeria (www.Guinnessnigeria.com)

2. LITERATURE REVIEW

2.1 DEFINITION CONCEPTS

This chapter deals with the definition of the main concepts used in this study. There will be explained below:

2.1.1 MANAGEMENT CONTROL

Literatures hold a large number of definitions for management control. The modern view for management control system originated from the influential work of Robert Anthony who drew boundaries between management control, strategic planning and operational control. He recognizes accounting language as the base for commonalties in the system.

Anthony (1965, p. 17) defined management control as “the processes by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives”.

Garrison and Noreen (2000) suggested a different definition for management control as follows: “those steps taken by management that attempt to increase the likelihood that the objectives set down at the planning stage are attained and to ensure that all parts of the organization function in a manner consistent with organizational policies” (p. 378).

In this paper, the term **management control** will be defined as those sets of organizational activities which include: planning, coordination, communication, evaluation and decision-making as well as informal processes aimed at enhancing the efficient and effective use of the organizational resources towards the achievement of the organizational objectives.

We are treating budgeting as a tool used by management to facilitate those activities which corresponds to our area of study.

Anthony and Govindarajan (2004) identified several aspects or activities of management control namely: planning, coordinating, communication, evaluation, decision-making and influencing.

1) Planning what the organization should do. Planning could be viewed as budget preparation. With planning the organization decides what to do and the responsibilities of its different members.
We might classify business plans as falling under one of the following headings: operating or administrative plans (Arnold and Turley, 1996, pp.316-317).

i) Operating plans. These are short-term plans which relates directly to the achievement of the firm's objectives. Thus the annual production and sales plans, as well as the plans to finance them, would be examples of operating plans. As we will see, most of the firm's budgeting activities are taken up with short-term operating plans.

ii) Administrative plans. These are 'tactical' plans concerned with the creation of the organizational structure, under which budgets and performance levels can be determined for appropriate functions.

2) Coordinating the activities of several parts of the organization to assure alignments goals.
3) Communicating information such as strategy and specific performance objectives. Communication could be done formally (by means of budgets and other official documents) and informal through conversations (Ibid p.97).

4) Evaluating actual performance relative to the standard and making inferences as to how well the manager has performed.

5) Deciding what, if any action should be taken.

The next concept that we will be explained below is the tool which we are using as a means of management control process i.e. Budget.

2.1.2 BUDGET

Over the past two decades the word that has become the common currency in all managers' vocabulary is "budgets". Budget is perhaps the most chosen course of action or in action by the management and staff across all sectors. Management at all levels within the public, private and the third sector have used the budget as their shield or excuse when confronted or challenged about any decision. It's not uncommon to hear variations of the phrases "the budget doesn't permit us to", or it's not our budget".

Furthermore, management in some sectors may be forgiven for believing their sole raison d'être has become budget preparation, budget compliance and budget monitoring. So, what do we understand by the term "budget"?

David Frederick (2001) defines budget as a plan that is measurable and timely. Bruns and Waterhouse (1975) defines budget as financial plans that provide the basis for directing and evaluating the performance of individuals or segments of organizations.

For the purpose of our study, we define **budget** as a quantitative statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities, and cash flows that provides a focus for an organization, as it aids the coordination of activities, allocation of resources, and direction of activity, and facilitates control.
Merchant (1981) defines budgeting system as a combination of information flows and administrative processes and procedures that is usually an integral part of the short-range planning and control system of an organization.
From the definition of budgets we distinguish three key components. Firstly, we recognize the **planning** aspect of budget. The plan is regarded as the statement of intent or goal of the organization. The second aspect is the **measurability**. This makes it possible to measure the plan. The third component is **time**. It gives the possibility to say if the plan is achieved.

The sub-heading below explains problems and limitations faced with traditional budget since in our study we intend to show how well and better budget can be used as a tool for management control process.

2.2 TRADITIONAL BUDGET

There are two issues traditional budget is faced with; the first issue is the **accounting**. The budget process serves two functions. It serves to build the internal budgets for each responsible center in the company and the roles up to form the external earnings per share capital.

According to Gregory J Nolan (2005), the problem with traditional budgeting is that it is based on general ledger (G/L). The G/L is the store house for the basic financial information of the company. That basic information is specifically direct revenue, direct expense and balance sheet amount s by centers. Many managers who get involved in the budget process generally only budget these amounts for the areas of their responsibility. Many of these managers have major profitability responsibility but never get to budget profitability. He further went to say that the internal accounting at most companies was based on expense allocations. This antiquated methodology is the underlying reason most management reporting systems are underutilized and one of the impediments to improving the budgeting process (Gregory J Nolan, 2005).

These are few examples of the traditional budget which will be discussed below:

Fixed budget: Fixed Budgets are used often by firms which rely on their forecasts. G.H. Hosfsede wrote that one discussed issue in the accounting literature is whether a budget should be fixed or variable with respect to volume or sales or other inputs. The fixed budget is therefore a budget which once made and accepted cannot be changed for whatever reason being that fixed cost are incurred and still persists irrespective of sales volume(G.H. Hofstede, 1968).

Flexible Budget: Flexible budgets reflect the effects of changes in the budgeting environment which affect the performance of the budget

Capital Budgeting: I.M Pandey, defines capital budgeting as "the firm's decision" to invest its current funds most efficiently in long-term activities in anticipation of an expected flow of the future benefits over a series of years (Pandy,1999).

Sales Budget: W. J Stanton (1971) said that "the cornerstone of successful marketing planning in a firm is the measurement and forecasting of market demand. The key figure needed is the sales forecasts because it is the basis for all budgeting and all operation in the firm" (Stanton, 1971). Radford and Richardson (1963) expressed the view that "effectiveness of budgetary control depends on the accuracy of sales estimates".

2.2.1 LIMITATION OF TRADITIONAL BUDGET

C.Adams *et al* (2003) explained the weakness of traditional budgetary practices under three headings which we discuss below.

Competitive Strategy:
- budgets are rarely strategically focused and are often contradictory;
- budgets concentrate on cost reduction and not on value creation;
- budgets constrain responsiveness and flexibility, and are often a barrier to change; and
- budgets add little value- they turn to be bureaucratic and discourage creative thinking.

Business process:
- budgets are time consuming and costly to put together;
- budgets are developed and updated too infrequently- usually annually;
- budgets are based on unsupported assumptions and guesswork; and
- budgets encourage gaming and perverse (dysfunctional) behavior.

Organizational capability:
- budgets strengthen vertical command and control;
- budgets do not reflect the emerging network structures that organizations are adopting;
- budgets reinforce departmental barriers rather than encourage knowledge sharing; and
- budgets make people feel undervalued.

What they were actually stressing is the fact that traditional planning and budgeting processes used in organizations are failing to deliver results. They are too time consuming to undertake, encourage internal politics and gaming behavior, too inward looking, short-termist culture that focuses on achieving a budget figure. The authors went further to argue for a better budgeting that will be discussed in the subsequent section.

The next Concept to be discussed is the term “strategic management”, because for a better budgeting to be in place, the strategies adopted by management has to be very appropriate. More explanation will be made under the concept.

2.3 STRATEGIC MANAGEMENT

Strategies can be seen as the means by which an organization has decided that its aims can be achieved.
Tim Blumentritt (2006) defines strategies as pattern of decisions that orchestrate an organization’s activity and investment targeted at specific outcomes. Strategic management on the other hand is often conceptualized as the rational progression from strategy formulation to strategy implementation (Snow & Hambrick, 1980).

The fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage?
Strategic management, in both theory and practice, tries to explain how firms may improve their performance in competitive interactions with other firms. As firms evolve new ways and means for competing, the concepts about organizations and their competitive processes on which strategic management theory and practice are based must evolve as well.

Philip Sadler (2003) identifies two classes of strategy:

1) Corporate strategy which involves strategic decisions such as: what is the company’s mission or purpose?, what are the values and principles that should govern the behavior of members of the organization?, what are the desirable characteristics of the company’s culture?, what industries or market segments should it enter or leave?, what form of organizational structure and what kind of organizational control systems would best support the strategy?, how can value be added by such things as brand strength, image and reputation?

2) Competitive strategy also known as business strategy which involves identifying correctly the critical success factors (CSFs) in a particular market and so managing the business as to meet these more successfully than competitors. It is about achieving sustainable competitive advantage by: leveraging resources, developing capabilities and competing on cost or differentiating or occupying a niche.

Herath and Indrani (2007) analyzing Porter’s (1990) work identified two basic types of competitive strategies: lower cost (ability of a firm to design, produce and market a similar product more cost efficiently than its competitors) and product differentiation (ability of a firm to provide unique value to customers in terms of product quality, special features, and after sales services) strategies which enables high productivity.

Product differentiation allows a firm to charge a premium price which guides to superior profitability, given costs are comparable with those of competitors. The authors went further to agree with Porter (1990) on the fact that two central concerns underpin the choice of a competitive strategy: industry attractiveness and the relative position of the competitors in the industry. Where the industry attractiveness is determined by the: i).ease of entry and the threat of new entrants; ii). threat of substitute product or services; iii).the bargaining power of suppliers; iv). bargaining power of buyers v). the rivalry among the existing industry competitions. And that the strengths of the five forces vary (depending on industry structure or underlying economic and technical characteristics) from industry to industry and determine long-term industry profitability.

Philip Sadler (2003) presented a similar argument when he noted that strategy formulation requires considering the unstable and even turbulent business environments (macro economic and social; political; technological; immediate or transactional made up of current and potential future competitors).
It is worth noting that, the very unstable nature of the business environments requires that management should adopt processes that allows for flexibility in strategy modification or formulation. We will present in the next section a management control system which we believe should give room for flexibility in strategy formulation.

2.4 MANAGEMENT CONTROL SYSTEM (BUDGET BEING THE TOOL FOR MANAGEMENT CONTROL)

One specific problem with the conventional planning process according to T. Blumentritt is that strategic planning and budgeting are often out of set with one another. In too many cases, budgets for allocating and spending money have little connection with business or operational strategies. Strategic management and budgeting are distinct but intertwined activities. When properly applied, both processes improve an organization’s ability to create and sustain superior performance (Tim blumentritt 2006 p.73).
Tim blumentritt (2006) further went to point out that Budgeting, strategies, and strategic management share an orientation toward improving business performance, as each is used to set an organization on an appropriate path to success and guide its managers’ decisions and activities. Such relationship between strategic management and budgeting does not exist in many firms (Tim Blumentritt 2006 p.74). The problems in appropriately using the two processes may arise when a firm does not properly integrate them or does not employ strategic management at all.

He further went on to say that there are many methods for managing the strategic management and budgeting processes; the right methods for any particular firm according to the author depend on factors such as its industry, size, number of divisions, product lines or business units, management preferences, history and culture. Regardless of how these processes are managed, they share a single goal: improving the ability of both strategic management and budgeting to contribute to business performance. The process begins with a review of both the firm's strategic position and its financial condition. (Tim Blumentritt, 2006). The authors made propositions of how organizations could integrate strategic management and budgeting presented below.

2.4.1 TOOLS FOR INTEGRATING STRATEGIC MANAGEMENT AND BUDGETING

According to Tim Blumentritt (2006), by integrating strategic management and budgeting, these questions of "What should we do"? And "How do we pay for it?" might be tackled simultaneously. In doing so, the two processes share their strengths. The true goal of these processes is rigorous agility. A firm's managers and employees must believe that good strategic decisions are being made or they will be less dedicated to them and their implementation. Strategic management and budgeting, when used properly, become powerful tools for communication of management's commitments. These processes must also enable a firm to be agile. Most firms operate in business environments characterized by strong competition, global pressures, and demanding customers. Rarely is any plan, strategic or budgetary, insulated from change. While well-developed plans are the place to start, they must be open to questioning and revisions to ensure they stay relevant (Tim blumentritt 2006).Organizations can adopt many different processes and tools to develop rigorous agility in their planning activities. These include the following

1) Standing strategic review committees:

Developing great strategies necessarily involves peering into the future. A strategic review committee often consists of executives representing diverse areas who meet to address challenges to the firm's strategic direction. Such committees supplement the annual strategic planning processes. By including executives from throughout the firm, including those responsible for a firm's strategic management and budgeting processes, ramifications arising from changes in one area of the firm for others are more quickly identified. (Tim blumentritt 2006 p.78).In an article written by Jeffrey C Thomson(2007),the author also noted that comprehensive communication to all stakeholders,investors,customers/members, audit committee, the board of directors and of course the employees who have a stake in the success of their strategic plan is critical. He further went to on by making two suggestions- hold employee meetings and celebrations to kick off the new planning cycle and be honest and totally transparent with your employee. (Jeffrey C Thomson, 2007).

2) Flexible planning

Tim blumentritt (2006) pointed out that key to making flexible planning a reality is the ability to shift resources, both human and financial, to different business activities as necessary. Therefore, senior managers must be willing and able to release and add financial and human resources as required and the organizational culture must focus every individual on the company's overall performance. Without malleable resources, flexible planning activities will result in decisions that can't be implemented. (Tim blumentritt 2006 p.78).
According to Jeffrey C Thomson (2007), treating planning as Key business process is more important to an organization's long-run viability, sustainability, and value creation for stakeholders than its strategic plan and then engages employees at some level in the plan.

3) Technology

The advanced processes for integrating planning and budgeting share a need for communicating information and decisions. Flexibility depends on getting good information to the people who need it when they need it. The increased capability of IT tools makes them increasingly important in business planning (Tim Blumentritt 2006).

James Creelman (1998) also recognizes the need for organizations to modify their budgeting and planning system approaches and link them to strategy in order to successfully implement new strategic management system driven by balanced scorecard. He presented D. Norton and R. Kaplan's (1992) proposal of how to link budgeting and strategic planning. The proposal stipulates that the budget should be done at the same time as a company does it three or five years plan, and not be a completely separate process. That is, the budget should be year one of the strategic plan agenda.

J. Creelman (1998) presentation of D. Norton and R. Kaplan's (1992) four step process of how to link budgeting and strategic planning is presented below.

1) Set stretch targets:
Managers are encouraged to set three to five year breakthrough performance targets due to the cause and effect features and organizational focus on balance scorecard. The stretch targets should dramatic.

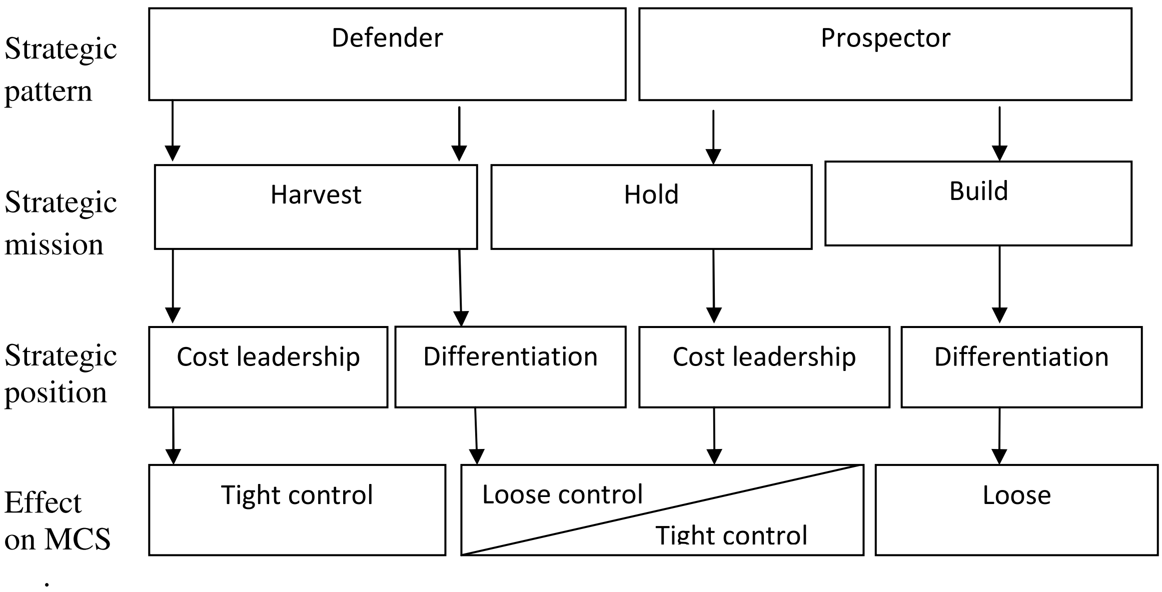
2) Identifying the initiatives which help the achievement of the stretch targets:
By using the balance scorecard to identify, set priorities, and align those capital investments and action programmes it is possible to achieve the stretch targets.

3) Link resource allocation (capital and spending) on strategic initiatives to that plan:
That is, derive expense and discretionary spending programmes for year one of the long-range plan as translated by the balance scorecard. Capital investment should be viewed through the lens of how it enables the achievement of one or more strategic objectives.

4) Set the milestones for year one which can be interpreted as the budget:
This is done by establishing quarterly milestones for measures in all balanced scorecard perspectives which could be use to verify that the company is on the trajectory for reaching the strategic breakthroughs in the year three.

B. Rapp et al. (2000) further the above view through the model they design to explain the link between strategy and management control (financial and nonfinancial aspects).
They recognized the need for organizations to adapt their management control processes to the adopted strategic choices. This is illustrated by the figure below.

FIGURE 1 HYPOTHETICAL RELATIONSHIP BETWEEN STRATEGIC PATTERN, MISSION, POSTION, DESIGN AND THE USE OF MANAGEMENT CONTROL. Adapted from B. Rapp et al. (2000)



The above figure is an illustration of Porter (1980), Miles and Snow (1978) and, Gupta and Govendarajan (1984) conception of determining factors of organization's strategic pattern, strategic mission, strategic position and management control system. From the figure it's clear that the choice of strategic position dictates the management control system that will be adopted. The choice is between tight control with the use of financial tools of planning for example budget (the case with cost leadership strategy) and loose control relying essentially on nonfinancial means of control (this is the case with differentiation strategy).

Simon (1987) presented an argument similar to that of B. Rapp et al. (2000). According to him, high performing Prospector companies seem to attach a great deal of importance to forecast data in control systems, setting tight budget goals and monitoring outputs carefully. For Prospectors, cost control is reduced. In addition, large companies appear to emphasize frequent reporting and the use of uniform control systems which are modified when necessary. Defenders, particularly large companies, appear to use their control systems less intensively. They emphasize bonus remuneration based on the achievement of budget targets and tend to have little change in their control systems.
B. Rapp et al. (2000) were actually stressing the need for organizations to build management control systems focused on present strategy but also flexible enough to contribute actively to changing strategy to fit new conditions in the business environment.

Below, we will present a discussion on better budgeting. As discussed by C. Adams *et al* (2003) better budget should be strategy oriented.

2.5 BETTER BUDGETING

C. Adams *et al* (2003) discussed that to be effective, budgets must, firstly, be aligned with; the organization's strategies, appropriate strategic planning and performance management processes introduced. Secondly, they must involve processes that are value based, consequential and continuous, i.e. that are focused on identifying and managing the drivers of shareholder value; that makes explicit the link between these value drivers; and that promote a continuous process of questioning and challenging the assumption inherent in the strategy. They identified five different classes of budgets that fit these criteria; activity based budgeting, zero based budgeting, value budgeting, profit planning and rolling budgets and forecasts (pp.23-24).

1) Activity based budgeting
According the C. Adams *et al* (2003) activity based budgeting (ABB) is similar to activity based costing (ABC) and activity based management (ABM). It actually involves planning and controlling along the lines of value adding activities and processes. Resource and capital allocation decisions are consistent with ABM analysis, which involves structuring the organization's activities and business processes so that they better meet costumers and external need.
ABB can be applied in all industries and functions, including service industries and overhead functions. It also can be used in manufacturing. It is really a management process, operating at the activity level, for continuous improvement on performance and costs [Wilhelmi and Kleiner (1995) 3, p.42].
The key features of ABB include: a planning process linked to the organisation's strategic objectives, a use of well-proven activity analysis techniques--the heart of all activity based systems, identification of cost improvement opportunities, analysis of discretionary spending options and priority ranking, establishment of performance targets for control, integration with activity planning and accounting to provide effective control, a participative process to control and sustain continuous improvement [3, pp.42-43].

The benefits of ABC are that it: highlights the cost of activities, puts resource allocation in the context of rising/falling activity levels, encourages new thinking; how can the activity be carried out more effectively (process improvement)?, links to TQM (total quality management) programmes, as the activity cost can be related to the service level achieved. * facilitates cost cutting by taking the activity level into account, thus making cost targets more realistic to achieve, enables trend analysis and benchmarking of costs to take place, can be used for day-to-day operational control [7, p.39].

2) Zero based budgeting
C. Adams *et al* (2003) stated that under Zero based budgeting (ZBB), expenditures must be re-justified during each budgeting cycle rather than basing budgets on previous years or periods.ZBB is not built on inefficiencies and inaccuracies of previous history. The author also noted that the value of this approach depends on the stability of operating environment.

3) Value based Budgeting
This is a formal and systematic approach for managing the creation of shareholders value over time. All expenditure plans are evaluated as project appraisals and assessed in terms of the shareholder value they will create. This helps to link strategy and shareholder value to planning and budgeting

4) Profit planning
It is about planning the future financial cash flows of profit centers (profit wheel).it gives the possibility to assess whether an organization or unit generates sufficient cash flows, creates economic value and attracts sufficient financial resources for investment. It also ensures consideration of an organization's short- and long-term prospects when preparing its financial plans.

5) Rolling budgets and forecast
It appears to have the most potential as the better regular budgeting approach. It enables firm improve their forecast accuracy and overcome the traditional budgeting time lag problem. This by: solving the problems associated with infrequent budgeting, being more responsive to changing circumstances, but requiring permanent resource to administer, and overcoming problems linked to budgeting to a fixed point in time - i.e. the year end and the often dubious practices that such cut-offs encourage.

2.6 COMPETITIVE ADVANTAGES

We perceive competitive advantage as conditions (abundant resources, access to a distribution channel, possibility of acquiring strategic resources at very cheap costs, possession of a unique asset, unique production pattern, strong brand name ….) that gives strength to a company in an industry or industries vis-a-vis other firms. To acquire this advantage is far from being pleasant.

Philip Sadler (2003) noted that if a firm possesses resources and capabilities which are superior to those of competitors, then as long as the firm adopts a strategy that utilizes these resources and capabilities effectively, it should be possible for it to establish a competitive advantage. But in terms of the ability to derive profits from this position of competitive advantage, a critical issue is the time period over which the firm can sustain its advantage. The sustainability of competitive advantage demands that it sources be expanded and improved (Porter 1990).

Herath and Indrani (2007) stated that in order to create a competitive advantage, firms innovate products and services which are capable of competing with those of competitors. Innovation could consist of technological advancements and better methods of performing activities (p. 81). Here, we realize that in order for a firm to create a competitive advantage, its resources should be used in the most appropriate manner to achieve the organization's mission.

Amoako-Gyampah and Acquaah (2008) furthered this thought by stating that a firm can gain a competitive advantage over its rivals either by having significantly lower cost structures in an industry or creating a unique image in the minds of customers that the firm or its products are superior to those of its competitors. Thus, we distinguish two types of competitive advantages of interest to us: cost leadership and differentiation advantages.

The goal of cost advantage is to be the cost leader in the industry where as that of differentiation advantage is to be quality leader (Philip Sadler 2003).

We will hence discuss literatures that investigate how budget being a tool of management control could facilitate the creating and sustaining of competitive advantage.

2.6.1 BUDGETING AND COMPETITIVE ADVANTAGE

Budget as discussed earlier is a tool of management control through which management could impact organizational performance. Budgeting in this regard is viewed as enabling the different functions of management control.

Herath and Indriani (2007) investigated how the budgetary control system was used to create and sustain competitive advantage in a Sri Lanka manufacturing company. Their claims were based on the works of: porter (1990) who stated that sustaining competitive advantage demands that its sources be expanded and improved, by moving up the hierarchy to a more sustainable form, and Jehle (1999) who noted and they (Herath and Indrani, 2007, p. 81) quoted:

> …..The budget represents their numbers and their benchmarks against which their performance is measured. It's the quantification of the company's plan to realize competitive advantage. Competitive advantage is all about understanding what you need to achieve to differentiate yourself, gain market share, or somehow leave your competitors in the dust.

Herath and Indrani (2007) during their case analysis identified four functions through which budgetary control system facilitates the creating and sustaining of competitive advantage which will discuss detail. We will have to borrow from different authors work to effectuate the discussion. The functions of budgets includes: means of forecasting and planning, channel of communication and co-ordination, motivational device, means of evaluation and control, and source of information for decision-making (Herath and Indriani 2007).

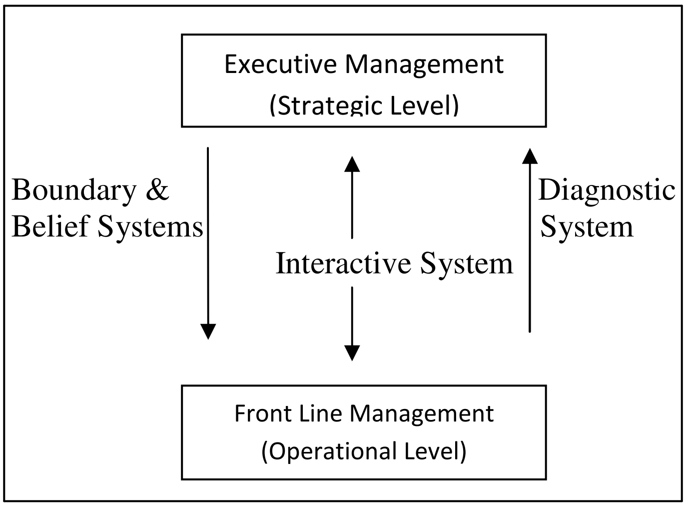
1) A means of forecasting and planning

Commentators highlighting the importance of the forecasting role of the budget include Samuelson (1986), Imhoff (1986) and Lyne (1988). Imhoff found that companies often take up to four months to complete the forecasting process and that sales forecasts are revised an average of five times. Lyne (1988), in connection with his empirical study that provided support for the view that forecasting is the most important role of the budget, notes that little has been written on the budget's forecasting and planning roles. C. Drury (2006) pointed out that the annual budgeting process leads to the refinement of the long-term plans. It ensures that managers do plan for future operations and that they consider how conditions in the next year change and what steps they should take now to respond to these changed conditions. Thus, enabling managers to anticipate problems before they arise and hasty decisions that are made without premeditation based on expediency rather than reasoned judgments are minimized (p. 427).

2) A channel of communication and co-ordination

Simons (1995) provides a frame work for thinking about how management control systems can be used to communicate the corporate mission. In his model, budgeting consists of two primary components: a strategic level and an operational level. The "levers of control" framework defines four types of management controls: belief systems, boundary systems, diagnostic systems, and interactive systems. Belief systems are programs and statements that impart core values to employees. Boundary systems provide strict prohibitions and limitations on acceptable employee conduct. Diagnostic systems providing lagging indicators of performance. Interactive controls proactively capture critical measures from the business environment and are used to guide corporate strategy. Budgeting can be used to enable each of the levers of control.

FIGURE 2 APPLYING LEVELS OF CONTROL TO THE BUDGETING PROCESS



Adaptated from Simon (1995)

Barsky and Bremser (1999) in their analysis of Simon's model realized that management imparts beliefs and boundaries to front line managers. And that management intending to better align employee actions with strategic goals should use budget to emphasize core beliefs and critical interactions. These move the budgeting process beyond financial targets to include nonfinancial measures. The authors belief these systems and initiatives articulate the primary mission of the organization, the limits on employee action and provide the basis for dialogue between executive and front- line management about the strategic direction of the company. Front- line managers use diagnostic systems to provide feedback on ongoing operational activities.

C. Drury (2006) stated that budget serves as a vehicle through which the actions of the different parts of an organization can be brought together and reconcile into a common plan by compelling managers to examine the relationship between their own operations and those of other departments, and to identify and resolve conflict in doing so (p. 427).
He also pointed out that through the budget top management communicates its expectations to lower level management, such that, they coordinate their activities toward attaining those expectations (p.427)

3) A motivational device

Research evidence has shown that the use of specific, difficult targets can lead to higher performance levels than moderate or easy targets (Chow, 1983; Hofstede, 1968; Stedry and Kay, 1966). These studies have also shown, however, that as soon as a budget becomes so tight that it is perceived to be unattainable, its motivational impact is reduced, and eventually subordinates give up trying to meet it, often performing at a lower level than if a less difficult target had been used. The evidence therefore suggests that budgets will provide the highest positive motivation when they are set at the most difficult level that is seen as achievable by subordinates. Achieving maximum motivational benefits from budgetary targets is therefore contingent on the use of tight, yet attainable, budgets. This is complicated by the fact that this level is likely to vary between individuals and may be affected by other factors. A further complication is that to motivate maximum performance, the budget needs to be set at a target level, thus giving rise to an anticipated adverse variance (Hofstede, 1968).

This leads to a conflict between the planning function of budgets and the control function. Simons [1988] found budget tightness to be positively associated with the use of monitoring and reporting controls and formula-based remuneration.
Lau (1999) proposed a two-way interaction between tight budget targets and cost control

Two-way interaction

According to Lau a *high* Emphasis on tight budget targets is likely to be effective only when it is accompanied by a *high* extent of Cost control. Consequently, Emphasis on tight budget target is likely to interact with Cost control to affect subordinates' propensity to create slack and budgetary performance. When Emphasis on tight budget target and Cost control are *both high,* it is likely that the superior is highly committed to using the accounting control system to achieve organizational objectives. Furthermore, the intensity and the sophistication of the accounting controls in place are likely to make it difficult for subordinates to create slack. Moreover, because of the increased attention on meeting tight budget targets, subordinates' budgetary performance is also likely to be *high.* Control here refers to actions taken to achieve plans and involves the measurement of progress when plans are implemented and the triggering of actions to correct or prevent any deviations of actual performance from the budgets.

According to C. Drury (2006) increasing individual’s active participation in budget preparation and using budget as a tool to assist managers in managing their department can be a strong motivational device by providing a challenge.

4) A means of evaluation and control

From the perspective according to Brian H. et al (1995), Activity based budgeting can be used in Manufacturing. It is really a management process, operating at the activity level for continuous improvement on performance and costs (p.42).It therefore provides the foundation for a more effective control.Nicolaj Ejler et al. (2008) in their article considered some of the intersections in the policy cycle where evaluation may be useful. According to the United Nations Development Agency, performance management (in which performance measurement is a constituent
part) as a managerial model has four distinguishing features:
(i) the definition of strategic goals which provide a focus for action;
(ii) the specification of expected results which contribute to the strategic
goals and align programmes, processes, and resources behind them;

(iii) ongoing monitoring and assessment of performance, integrating lessons learnt into future planning;
(iv) improved accountability based on continuous feedback to improve performance.
(UNDP, 2001: 2)

The need for ongoing feedback and management control requires companies to measure and evaluate business unit performance at least once a year (Anthony and Govindarajan 2004).The process of evaluation is a comparison of actual expenses and those that should have been incurred under circumstances. If the circumstances assumed in the budget process are unchanged, the comparison is between budgeted and actual amounts. If circumstances have changed, these changes are taken into account. Ultimately, the analysis leads to praise or constructive criticism of the responsibility center managers (Anthony and Govindarajan 2004).

However, relying on financial measures alone is insufficient to ensure strategy will be executed successfully. The solution to this according to Anthony and Govindarajan (2004), is to measure and evaluate business unit managers using multiple measures, nonfinancial as well as financial. They refer to nonfinancial measures that support strategy implementation as key success factors or key performance indicators (p.495).Companies used financial and nonfinancial measures in the past. However, they tended to use nonfinancial measures at lower levels in the organization for task control and financial measures at higher organizational levels for management control(Anthony and Govindarajan 2004).According to the authors, it is important for senior executive to track not only financial measures, which indicate the results of past decisions, but also nonfinancial measures, which are leading indicators of future performance.Similarly,employees at lower levels need to understand the financial impact of their operating decisions.(Anthony and Govindarajan 2004).

C. Drury (2006) stated that by comparing the actual results with the budgeted amounts for the different categories of expenses, managers can ascertain which costs do not conform to the original plan and thus require attention. This enables managers to concentrate attention and effort on significant deviations from expected results (management by exception) (p. 428).

5) A source of information for decision-making

According to Brian H. et al (1995), the essence of the ZZB is decision making. Zero-based budgeting arose from a need to more closely link intended results with the use of resources. It grew out the deficiencies found in traditional budgeting system (p.10). “The budget process forces us to look at what the organization is going to be in terms of its results from the resources to be used”(p .10).

2.7 HIGH PERFORMANCE

We can define performance as the outcome of a firm's activities over a given period. Thus, a firm could experience a poor as well as a good performance.
The determinant or measure of performance varies across industries and companies. It is hard to indicate what the best measure of performance is as this could mean: measuring customers satisfaction, measuring employees and/or shareholders satisfaction, measuring sales growth, measuring market share, measuring the return on capital invested. For the sake of our study, we will base our classification on that of Amoako-Gyampah and Acquaah (2008).
Amoako-Gyampah and Acquaah (2008) classify performance under two dimensions: market share and sales growth. Where market share is the firm's portion in the entire industry and sales growth is the increase in sales in money value. High performance will mean high market share and high sales growth.

They further went on to say that a strategy that allows a firm to achieve either: high design and conformance quality or improvements in production efficiencies will lead to either: a higher reputation in the market place, cost reduction, and higher productivity or low-pricing possibility which could be translated into higher sales growth and increased market share. Also, a firm that develops a strategy that allows it to achieve volume and mix flexibility while keeping costs low and quality high will be able to respond faster to market changes and thus achieve higher performance.

3. RESEARCH METHODOLOGY

This chapter highlights on the research used in gathering information, how it was designed and presented. In addition, it illustrates the area of examination with regards to those interviewed. Furthermore we shall also describe why we chose the company, sources of literature, techniques employed in data collection, research purpose, data analysis as well as critiques to the method use. In a research process, it is important that information provided satisfies the purpose and should be reliable as well. Therefore this will depend on the method of data collection employed. The reason to this is due to the fact that if data collected does not suit the purpose, then it would be difficult to analyze and the research would be considered as inappropriate. Therefore, we will analyze information received from Guinness Nigeria plc, Benin City which would enable us to satisfy our purpose.

3.1 SELECTION OF COMPANY

We decided to use Guinness Nigeria plc as our research company, knowing that the manufacturing sectors as any other sector (example service industries) deals with budgeting in a more or lesser extent. As we decided to research on the Manufacturing industries in Sweden, unfortunately none of these kinds of company were willing to grant us the opportunity in using them for our research. We were given several excuses like the topic is too sensitive and could affect their business due to secrecy and confidentiality. Therefore, we contacted the financial of Guinness Nigeria Plc, Benin City, who agreed to grant us the interview on the condition that we are using it for academic purposes.

3.2 LITERATURE SEARCH

In order to get relevant and necessary information to achieve our study aim, we focused on getting information through Malardalen University library with regards to literature sources. In view of this we used ELIN@Malardalen, e-bray as databases to get academic articles and electronic books respectively. In addition, hard copy of books were gotten from the university library.Moreso there were books we got from the city libraries and through the help of inter-library loan through libris, the university library organized those books on our behalf. We were also able to browse the internet using search engine such as Google for other information sources.

3.3 RESEARCH APPROACH

Many authors have written extensively with regards to various approaches that can be used as research. In view of this, Holme and Solvang (1991) argued that, quantitative and qualitative are the two research methods that could be applied in research work. Bryman (2004) also explained the use of quantitative method as a research approach with regards to deductive approach. According to Bryman (2004), this method focuses on the quantification in the gathering and analysis of data and a deduction made between theory and the research. Bryman (2004) arguments were further backed by Saunders et al (2003) who explained that deductive approach usually develops a theory and hypothesis and a research strategy is designed to test the hypothesis and a research strategy is designed to test the hypothesis. However, Holmes and Solvang (1991) stated that this particular method is applied when conducting a statistical research.

Bryman (2004) further explained that, qualitative research develops a research approach and focuses on the use of inductive approach. According to Bryman (2004), the inductive approach compares the relationship between theory and the research with emphasis made on generation of theories.

With regards to the various approaches explained, it is therefore necessary to indicate that qualitative method will be applied for this research work. This is due to the fact that in order to fully comprehend what organizations are doing and could do to improve management control. Therefore, the research would be conducted qualitatively in a case study form.

3.3.1 INFORMATION REGARDING QUESTIONNAIRE AND TELEPHONE INTERVIEW

We designed a set of questions (interviewee guide) and dispatched them in April 2008.However due to their tight schedule we were kept on hold. The financial Manager and auditor were made available for interview on the 28th of April 2008.The interview lasted for about one hour 45mins with the financial Manager(1st interviewee) and about 30min with the auditor (2nd interviewee). During the interview we wrote informations on paper in order to refer back to it.

3.3.2 SOURCES OF EVIDENCE

According to Yin (1994), six sources of evidence could be used in conducting a research method which is as follows: documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts. Eriksson & Wiedersheim-paul (1999), emphasized that when a case study is carried out, the researcher has the possibility to collect data from same methods mentioned above. However, the above sources of evidence can be classified into two: Primary and secondary form data collection. In our research we didn't only make use of primary sources but also secondary sources of data collection were applied.

3.4 PRIMARY DATA

Phone Interview: Data was collected primarily by phone calls with the organization. However the interview was conducted in accordance with the policies of the organization, the names of the respondents will not be recorded. We chose this interview method due to impossibility of direct contact because of the distance.

Questionnaires: data was collected through the use of questionnaires centered on the budgeting process in operation in the organization; the questionnaires were completed by the officer directly involved with budgeting in the organization. Actually we used an open questionnaire so as to get diverse view of the staffs subjected to the process.

A specimen of the questionnaire will be available to the appendix. It wasn't possible to verify certain information directly concerned with the organizations records due to company's policy and confidentiality.

3.4.1 PROBLEMS IN COLLECTING PRIMARY DATA

1. We sent out 50 questionnaires but information we received indicated that most of them were not willing to fill questionnaires due to tight schedule. In view of this only 10 staffs filled the questionnaire.
2. Geographical distance made it impossible to actually interact with the management of the organization.

3.5 SECONDARY DATA

We tried to use data from the organization's financial statement and vital information on the subject matter ascertained from textbooks, articles, journals on Budgeting and Budgetary control which will be through the assistance search engine such as ELIN@marladalen and Google. These materials aided us in getting most of the information for the research.

3.5.1 Data Analysis

Miles and Huberman (1994) emphasized on two strategies for analyzing data: these are within case analysis and cross case analysis. According to them, case analysis is said to be the only kind of strategy that a researcher goes within the case and compares it to previous research. Moreover they further argued that where they are said to be more than one case, the researcher can use a cross-case strategy for data analysis, thereby comparing one case to the other. For the purpose of this research we will apply within-case analysis to our empirical data, which we collected from interviews since we believe that within-case analysis can provide a more clear representation of our interview data the reader's understanding, this will further enable us to make sure that our interview data answers our research questions and purpose and thereby making comparison on within-case with previous research. We shall find out what Guinness Nigeria plc is doing, and suggest effective ways of implementing management control and make recommendations.

3.6 TRUSTWORTHINESS

There has been a tremendous doubt in evaluating qualitative research as compared to quantitative research. In view of this, there is the need for researchers to motivate the choice of methodology. According to Broch et al., cited in (Holme and Solvang, 1991), researchers have to argue on the fact that their results are accurate and trustworthy. In order to fully fulfill the purpose of our study, we chose concepts and models that would help us describe what Guinness Nigeria Plc is doing and suggestions on effective ways of implementing management control.Moreover,to achieve this there was a need to conduct an interview and also design questionnaire. Eriksson and Wiedersheim-paul (1999) argued that, in order to make sure whether or not the research measures what he or she is intended to measure the term validity is used. Johnson and Turner 2003: Maxwell (1992) cited in (Maxwell and loomis 2003), said that they are four main category of validity in qualitative research methods which are:

Descriptive validity: this refers to the degree of accuracy that the researchers have been able to determine from the data collected. They also argued that, in order to ensure accuracy of the data collected, it is important that researcher carefully collects and confirms descriptive information during the process to ensure accuracy. In this research the data has been collected through telephone interview and where some statements are not well understood, the interviewees are given the opportunity to clarify themselves before the interview can proceed.

Interpretative validity: this refers to the validity of statements about meanings made by participants. It also refers to the degree the researcher is able to portray respondents' opinions and meanings of the studied field. With regards to our research, information gathered through the interview were taped and some written on paper and will be used throughout the empirical data and analysis.

Theoretical (explanatory) validity: This refers to the degree of the theoretical importance. However; it refers to how questions developed fit the theory or concept chosen. In our research, the analysis and interpretations shall be derived solely from the questions developed.

Generalisability: This refers to the extent to which our conclusions can be transferred to our similar studies or situations.

3.7 METHOD CRITIQUE

Qualitative research has often been critized in the aspect of subjectivity. According to Gummesson (2000), one disadvantage of this method is that information obtained might not lead to objectivity but rather subjective interpretations. Continuous research sometimes makes the use of secondary data not valid due to the fact they might become old or obsolete. Nevertheless, since the research is based on interpretation of secondary data influenced by personal preconceptions the research will hardly be reproduced with identical outcome.

3.8 RELIABILITY OF THE DATA

A great deal of care and skill was exercised by the researchers in the collection, analysis and presentation in order to reduce mistakes. Thus, subject to limitations given in chapter one, it is of the conviction that the data to a high degree is reliable, testable, dependable, valid and generalisable.

4. EMPIRICAL DATA

This chapter deals with the presentation, analysis and interpretation of data gathered in the course of the research study through the sources and procedures stated in chapter 3 in order that the research problem highlighted at the commencement of the study are tackled and the questions answered and validated. The analysis is strictly based on the actual information got from course of research.

4. 1 BUDGETING SYSTEM IN GUINNESS NIGERIA PLC

This section discusses the budgetary control system of the company. Budgeting and budgetary control is an important tool for managerial efficiency especially now that there is economic depression in Nigeria.

According to the Financial Manager (Interviewee 1), Guinness Nigeria Plc being a manufacturing organization has 17 different departments of which a separate department is responsible for budget preparation and strategy formulation. The Budget department is headed by the finance Director (a chartered Accountant) while the strategy department is headed by the branch manager. All other members of the budget department are Accountants (Production, Engineering etc.). Proposals from different departments are reviewed by the budget committee composed by all heads of departments and budget officers. The committee considers the limiting factors such as market demand, plant capacity, availability of labour and raw materials therefore modifications are made where necessary. This is sent to the Managing Directors' committee that will take decision after which it receives the approval of the board of directors. When finally approved it becomes the operating plan of the organization for the period it covers, Budget provides the standard by which performance would be judged and this is an important feature of the budget control system. The organization does not adopt Zero base Budgeting (ZBB) technique. Instead it uses the previous years as a base to project the current years i.e. the incremental budgeting system.

The manager also made mention that IT system is of great importance in the budgeting and planning process but the extent of its use in the organization is low. This is because not all employees involved in the budgeting and planning process have the know-how required in the use of IT system (e.g. software etc). This is of handicap to the organization since IT would have helped to minimize mistakes, integrate and disseminate information about the organization's activities. We are working on this and currently arranging training workshop and program to help in developing employee's skill on the use of software and IT related equipments.

The FM recognizes that increasing employee's participation in the budgeting and planning process is a strong motivational device. Hence, they are trying as much as possible to encourage such by having periodical meetings between the management and the rest of the employees in order to get their points of view on the issues of the organization. In this way employees become more engaged in the execution of their various functions since these stand as a challenge to them.

However, the FM (Interviewee 1) said, in order to ensure that actual result conforms to budget, the organization adopts departmental monitoring on a month to month basis and through variance reporting, corrective measures are taken immediately. Allocation of resources in this organization is based on:

1. Volume of production
2. Basis of needs, and
3. Manpower to manage the resources.

The book of company revealed that profit figure as follows:

There is an increase of absolute figure =N= 18,182,000 in 2004 to =N= 46,222,000 in 2006. The figures presented an encouraging picture of the company's performance. Further analysis reveals that the budgeted profit for 2004 shows an adverse variance of =N= 6,960,000 or 19.9%, this was attributed to the barn on importation by the federal government while in 2006 there was a favorable variance of =N= 6,222,000 or 16%.(sales figures are in Nigerian Naria).

4.2 COST CONTROL

The Auditor (Interviewee 2) said that compelling actual cost was to conform to planned cost. This involves the following:

A). Cost plans (examples: annual operating profit)

B). Comparism of actual cost with planned.

c). Action to correct cost divergences.

In Guinness Nigeria Plc, he said that cost plans are made through annual operating plan, using the budgeted control system which enables its operation to be planned in advance over a fixed period by preparing estimates of fixed and variable expenses, sales, working capital etc. for the forthcoming year. Firstly, it involves preparing estimates of future sales of individual product (Foreign Exchange Stout FES, Harp, Malt, and Satzenbrau) based on market surveys salesmen's estimates and so on.

The Company then considers the extent to which it can satisfy such demand and weather additional capital will be required to expand the work force or purchase new equipments. Estimates of costs to complement those plans are then prepared and submitted to top management who then examines sales and production Budget and suggest changes to produce more acceptable plans as necessary.

4.3 INTERESTED VARIANCE ANALYSIS

In Guinness Nigeria Plc, the auditor (interviewee 2) further said, that cost were divided into two financial reporting arrangements as follows:

1). Variance cost (Production statement)

2). Fixed cost (expenditure summary)

Variance helps to identify and direct attention to areas most in need of investigation. Analysis of this variance is conducted so as to carry out any necessary corrective action i.e. to improve the implementation of a given decision noted or decided on whether to change the model.

In a manufacturing business like Guinness under study, he went on to say that, the cost of direct materials and labor is usually very important. He therefore said, the company adopts the following control measures such as external Control and management control, auditing, performance, evaluation, variance reporting, and supervision etc. These serve as a means of feedback to management and managers who are responsible for various departments or a “cost center”. This would enhance the implementation of the control measures.

Budgeting control shouldn’t be viewed as a mathematical exercise rather it is a method of approach which incorporates within its structures. This means of educating personnel in making the most effective use of facilities at minimum, cost to achieve the company’s objectives.

4.4 EVALUATION OF PERFORMANCE

According to the financial manager (Interviewee 1), Management job is to control expenditure i.e. to keep costs to a minimum and to preserve working capital. For this purpose, it requires a regular and frequent supply of financial control information. In order to compare actual with planned performance, management promptly notifies any deviation from expected performance in order to exercise the principle of “Management by exception” at the right time (e.g. daily report) and right place. In the right form (in language that users understand), to the right person effective action must be taken by management to eliminate inefficiencies and the system must provide room for review to the consequences of this action.

As a result of restriction on information available, it is not possible to make a distinct classification of fixed assets and the respective rates of utilization. Therefore it is difficult to allocate that figures of such assets separately and ascertain the optimal utilization of each assets.

According to the financial manager, the depression of the Nigerian economy followed by the devaluation of the national currency is an issue of major concern. This has led to cost increase for imported raw material which they rely on greatly for their manufacturing process. Hence, we're strongly concern with improving production efficiency. He further said that the adverse inflationary effect adversely affected the import oriented company like Guinness. This has resulted to the rise in production cause and drop in profit margin. How to achieve this is something far from being pleasant. Targets are fixed through budgets for each department (purchase, production, sales etc). One thing we strongly rely on is tight control with the use of budget.

The FM (Financial Manager) noted, that there is a need to improve the production efficiency in order to reduce production cost, and that having to adhere to the guidelines of productivity, prices and income board of management has no choice but to institute an effective control of cost and Waste Reduction Scheme, in order to ensure the survival of the Company. These had lead to a tremendous drop in production cost in the first two quarters of the year (2004). But, in the third quarter the drop in production cost was not as significant as in the first two. From then till 2006 we had experienced a more or less stable production cost with slight variations (increase or decrease). "What was pleasing and that we hope to keep it going is how we have been able with the use of budgetary control system to create and enhance competitiveness".

He further said that the main pricing objective is to achieve the minimum desired rate of return on capital invested (shareholder's wealth).And said that "price based on cost alone is not appropriate rather the demand of the product, competitors, government policy and the product life cycle are considered". As a result of having to adhere strictly to productivity, prices and income guidelines, he said there is a price ceiling for industries so therefore, Guinness aims at minimizing cost as much as possible while maintaining quality.

5. ANALYSIS

The analysis of our case will be done under five dimensions: traditional budget, strategic management, management control system, competitive advantage and high performance.

5.1 TRADITIONAL BUDGET

From the company's data (information collected through phone interviews and questionnaire), it is hard to see the types of budget (master, sales, fixed, flexible….) the firm adopts. One important issue with the company budgeting practice is that it uses the previous year as a base for projecting the current year. This is in line with the traditional budgeting practice. Also, they do not adopt zero based budget which according to C. Adams et al (2003) falls under the class of better budgets.

5.2 STRATEGIC MANAGEMENT

According to the financial manager, the depression of the Nigerian economy followed by the devaluation of the national currency is an issue of major concern. This has led to cost increase for importing raw materials which they rely on greatly for their manufacturing process. Hence, they are strongly concerned with improving production efficiency. The main mission of the company is improving production efficiency in order to put production cost at the lowest. The Financial manager identifies production efficiency as the company's strategic mission and cost leader-ship as the competitive strategy which will enable the firm to produce at the minimum possible cost. This situation in the company is in line with Sadler (2003), and Herath and Indriani (2007) discussion presented in the literature review.
It was recognized by the financial manager that only if the firm is able to improve production efficiency and reduce wastage so as to produce at the minimum possible cost will it survive. This is in line with Tim Blumentritt (2006) definition of strategy.

5.3 MANAGEMENT CONTROL SYSTEM

Literatures such as that of Tim Blumentritt (2006), J. Creelman (1998) discussed the need for organizations to integrate strategic management and budgeting. They went further to propose how these two aspects of management could be intertwined. Looking at the company's data not much is discussed on their strategic issues. Information from the company reveals that the budget committee of the company considers the limiting factors such as market demand, plant capacity, availability of labor and raw materials when preparing the final budgets. This shows how the company relates strategic issues like strategic pattern (determine by the relation between the firm and its environment) and budgeting. The question we could ask is: how much does the management process benefit from this integration?

As Tim Blumentritt (2006) stated, the true goal of the integrating process is rigorous agility since strategic management and budgeting when used properly, become powerful tools for communication of management commitments. Jeffrey C Thomson (2007) stresses the importance of a comprehensive communication to all stakeholders, investors, customers/members, audit committee, the board of directors and the employees who have a stake in the success of their strategic plan the management commitments. Looking at the company data, we realize a strong handicap. The use of IT system in the company is low. This implies greater possibility of making mistakes and difficulty in integrating and disseminating information about the organization's activities. This may result in the slowdown of the management control process. What we can see from this is the fact that the company does not actually reap the benefit of integrating strategic management and budgeting. This throws doubt on the adequacy of the management control process. The firm need to upgrade its use of IT system in order to benefit fully from it budgetary practice. Examples of IT system includes: business intelligence software (corporate or business performance management), enterprise resource planning (ERP), customer relationship management (CRM).

The company reliance on incremental budgeting system (using previous years as a base for projection) falls out of C. Adams *et al* (2003) proposed types of better budgeting and could be viewed as: constraining responsiveness and flexibility, adding little value (they turn to be bureaucratic and discourage creative thinking) and are often a barrier to change.
From the company data little is disclosed concerning the different classes or types of budgets. C. Adams *et al* (2003) identified five different classes of budgets (activity based budgeting, zero based budgeting, value budgeting, profit planning and rolling budgets and forecasts) that must be aligned with; the organization's strategies, appropriate strategic planning and performance management processes introduced. Also, these must involve processes that are value based, consequential and continuous, i.e. that are focused on identifying and managing the drivers of shareholder value; that makes explicit the link between these value drivers; and that promote a continuous process of questioning and challenging the assumption inherent in the strategy. Though little information is provided for what concern the different classes of budget, we still could see traces of some characteristic requirements of budget as put forward by C. Adams *et al* (2003). These characteristics requirements could be seen from aspects from the company such as: "budget provides the standard by which performance would be judged", "budget is the operating plan of the organization for the period it covers", "budget control system enable operations to be planned in advance over a fixed period by preparing estimates of fixed and variable expenses, sales, working capital ", "budgeting control educate personnel in making the most effective use of facilities", "budget provides financial information which

enables management to keep cost at a minimum and preserve working capital". These are found in the company's data.
As stipulated by Simon (1987) and B. Rapp et al. (2000), a management control system that integrate strategic management and budgeting should allow for flexibility in strategy formulation since it is related to present strategy. From the company's data it is stated that it uses variance to identify and direct attention to areas most in need of investigation. Analysis of this variance is conducted so as to carry out any necessary corrective action i.e. to improve the implementation of a given decision noted or decided on whether to change the model. Thus, the management control system in the company allow for flexibility in strategy formulation.

5.4 COMPETITIVE ADVANTAGE

Literature has proven that a good management control system that can create and sustain competitive advantage is that built on integrating budgeting and strategic management.
The main mission of the company being to improve production efficiency in order to put production cost at the lowest tells us the firms seeks to attain cost leadership advantage which requires the firm to rely on tight budget targets and cost control. This convey to what extent the company seeks to be competitive and to stay competitive by using budget. This fits into the claims of Philip Sadler (2003), and Herath and Indriani (2007). These authors recognize that firms could create and sustain competitive advantage by adopting processes that enables the efficient utilization of their resources. Also, Amoako-Gyampah and Acquaah (2008) classification of competitive advantage seems to be the situation in the company.
We will discuss how budget could create and sustain competitive advantage by analyzing how budget facilitates the different management functions such as: forecasting and planning, communication and co-ordination, motivation, Evaluation and control, and decision making.
As stated by Porter (1990) and confirmed by Herath and Indriani (2007), sustaining competitive advantage demands that it sources be developed and improved. The company by using budget to create and sustain competitive advantage presents this trend. This will be discussed below.

5.4.1 Forecasting and planning

From the company's data, we can trace how forecasting and planning are done with the help of the budget. The company cost plans are made through annual operating plan using the budgeted control system. The system enables the company operation to be planned in advance over a fixed period by preparing estimates of fixed and variable expenses, sales, working capital etc. for the forthcoming year. The company prepares estimates of future sales of individual product (Foreign Exchange Stout FES, Harp, Malt, and Satzenbrau) based on market surveys and salesmen's estimates, considers the extent to which it can satisfy such demand and weather additional capital will be required to expand the work force or purchase new equipments. Estimates of costs to complement those plans are then prepared and submitted to top management who then examines sales and production Budget and suggest changes to produce more acceptable plans as necessary. This practice is in line with C. Drury (2006) suggestion of how budget helps the forecasting and planning process in the organization.

5.4.2 Channel of communication and co-ordination

Viewing budgeting control as a means of educating personnel and using budget to fix targets for the different department (purchase, production, sales etc) reveal the coordination and communication function of budget as discussed by C. Drury (2006).
In setting the budget, the budget committee reviews the proposals of the different departments and tries to relate those proposals to the targets setup by the managing director's committee. The "proposals" from the different departments reflect the view or opinion of the front- line management at the operational level while the "setup targets" reflect the view or opinion of the strategic management at the strategic level. Budgeting coordinates the link between executive management and front-line management by enabling the supposed existing levers of control (boundary and belief system, diagnostic system, and interactive system). This is in line with Barsky and Bremser (1999) analysis of Simon's (1995) model which explains coordination and communication in organizations and how budgeting helps the process.

5.4.3 Motivational device

Participation in the budgeting and planning process was pointed out by the financial manager to be of major concern to the company. The company has adopted several measures to improve on this such as: periodic meetings between management and the rest of the employees, and the building of budget committee compromising of heads of the different departments. Of importance is also the fact that budget provides the standard by which performance would be judged. Thus, budget is a strong motivational device due to the challenge it provides. This is in line with C. Drury (2006) proposition.

An important aspect in the company budgetary control is the use of cost control. Cost control helps assure that actual cost conformed to planned cost. Cost control involves: cost plans, comparison of actual cost with planned, and action to correct cost divergence. Of further importance is the fact that tight budgetary target is of strategic importance to the company.

When Emphasis on tight budget target and Cost control are “both high”, it is likely that the superior is highly committed to using the accounting control system to achieve organizational objectives. It also increases the budgetary performance of subordinates and the difficulty for them to create slack. To conclude, employees and management are motivated toward achieving organizational objectives in an optimum manner. This situation in the company falls in line with Lau (1999) two-way interaction between tight budgets and cost control.

5.4.4 Evaluation and control

In Guinness Nigeria Plc, We would see that in measuring their performance they keep cost to a minimum which will contribute to the strategic goals and align programmes and integrating lessons learnt into future planning. This also accounts for continuous feedback to improve performance. However this is in line with some of the tools in the article written by Ejler et al. (2008) in their article; Let us therefore consider some of the intersections in the policy cycle where evaluation may be useful. Examples are
(i) the definition of strategic goals which provide a focus for action;
(ii) the specification of expected results which contribute to the strategic goals and align programmes, processes, and resources behind them;
(iii) ongoing monitoring and assessment of performance, integrating lessons learnt into future planning;
(iv) improved accountability based on continuous feedback to improve performance.

From the description of their evaluation of performance, whereby feedback is presented at the right time to the right person or department .Hence, helping management to eliminate inefficiencies is in line with Anthony and Govindarajan (2004), when they said in their article that the need for ongoing feedback and management control requires companies to measure and evaluate business performance at least one year. Therefore, such feedbacks will exist in the various departments in the organization.
Guinness Nigeria Plc doesn’t adopt Zero-based budgeting which in a way allows top-level strategic goals to be implemented into the budgeting process by tying them to specific functional areas of the organization, where costs can be first grouped, then measured against previous results and current expectations. The financial manager said the company doesn’t adopt the method because they believe it is a traditional method of budget and therefore time consuming but from the work of C. Adams et al (2003) stated that under Zero based budget , expenditures must be justified during each budgeting cycle rather than basing budgets on previous years or periods.
The employees are not reasonably motivated. Judging from the FM’s response we could say employees in the organization are not all included or involved in the budgeting and planning process in the organization and this will in one way result in a low performance rate. Anthony and Govindarajan (2004) said that employees at lower levels need to understand the financial impact of the organization’s operating decision, and in this way employees feel more motivated in working in the organization.

5.4.5 Source of information for decision making

From the responses on the use of IT system from the FM and the replied questionnaires distributed, eight (8) staffs of the organization responses appears to be efficiently low in the budgeting and planning process due to the lack of know-how that exist among the employees. They need to be a well established IT system that can facilitate reliable information. Here such a question now arises, how are quick decisions informed and taken? Because the area of IT is plays an important when it come to budgeting and budgetary control process. In the article titled "Making Budgeting and planning a tool for success" by Ventana Research it says that "budgets may have different formulas or embedded values from the one that went out originally, or the manager might have been using last year's template" as we can re call from the description in the budgetary process of the company. Some companies may need to use complex formulas to model pricing structures. Being sure everyone has applied the data consistently across the entire business is a benefit of dedicated software.

In other words, a dedicated budgeting application return on investment can be measured in part by the time it saves. Yet the value of the time saved to the organization goes well beyond salary and benefit costs. The bonus comes from what companies are able to do with the time saved.

With less time spent on the mechanics of budgeting, there is more time to devote to analyzing the implications of the plan. Companies are able to do more 'what-if' thinking to look into alternative approaches and consider responses to changes in the plan. Baking in a useful, consistent set of analyses based on clean information ensures decision makers are working from the same page and not inadvertently overlooking critical information. Therefore, in this sense budgeting system in the organization becomes easily tackled and managers of various departments are able to make decisions easily and appropriately.

Tim Blumentritt (2006) in his article also commented, that the benefit of using appropriate technologies starts with minimizing mistakes and that uncorrected mistakes have the potential of disrupting everything from the production forecasts to pricing schedules. The organization stands a positive chance of achieving unique goals and performance which is a good tool for integrating planning and budgeting to meet management commitments. Therefore, increased capability of IT tools as Tim Blumentritt (2006) pointed out, Managers will be able to increase their visibility of an organization's daily conditions. IT system has a lot to do with ongoing feedback and management control which requires companies to measure and evaluate business unit performance, just like in the Organization under study which has 17 departments.

However concluding from the above analysis, budgeting will facilitate decision making when proper IT system is in place. Therefore, it will assist each department to come up with a more realistic objective.

From the above discussion it's obvious that the organization uses budget to create and sustain competitive advantage. This being the case, the organization's performance should be high.

5.5 HIGH PERFORMANCE

As stated by the FM, the company's principal objective was to improve on production efficiency in order to be competitive by charging low prices for products. This was possible as evident by the statement of the FM. He made it clear to us the fact that the firm was able to produce at a lower cost for the entire period we were investigating. This had enabled the firm to create and enhance competitiveness. Eventually, the company's performance had been on a high level. We could get evident of the company high performance from sales figures which indicates an increase in sales from =N= 18,182,000 in 2004 to =N= 46,222,000 in 2006. Thus, the firm had experience a high sales growth indicating high performance. This is in line with Amoako-Gyampah and Acquaah (2008) classification.

From the case analysis we can suggests a model which we assume as fitting the case. We conceptualize this model as the best management control practice with budget being the tool of management control. We build a link between strategic management, traditional budgets management control system, competitive advantage and firm's performance. Noting that, an effective way of implementing budgetary control system for management control should incorporate aspects of strategic management. That's, firm's while deciding on the choice of management control system should consider the strategic aspects (pattern, mission and position) in doing that. Thus, budget becomes an integral part of the strategic plan. This enables the firm to verify that the company is on the trajectory for reaching the strategic breakthroughs setup in the long-term (three years above) plans. Integrating strategic management and budgeting could create and sustain competitive advantage as argued above.

5.6 MANAGEMENT CONTROL MODEL (budget being the tool for management control)

There is a connection between our model and the situation in Guinness Nigeria Plc. Moving from traditional budget discussion, we realize that though the company design it management control system by considering what its strategic issues (pattern, mission and position) are, we can see traces of traditional budgeting practice-the company uses the previous year as base for projecting the current year.
Knowing what it strategic mission (production efficiency) and strategic position (cost leadership) are the company designed it management control system-reliance on tight budget target and cost control. This reveals the claim of literatures.
Such MCS built based on present strategy should allow for flexibility in strategy formulation as claimed by literature and asserted by us. The use of variance analysis in the company seems to confirm this.

The firm's competitiveness has been enhanced by the MCS adopted as the firm was able to cut down production cost while maintaining quality. This information was provided by the FM. As what concerns the high performance, it is evident by the high sales growth. It rose from =N= 18,182,000 in 2004 to =N= 46,222,000 in 2006.
Concluding from here, we see that the company situation is in line with literature.
We therefore recommend the model we present below to the management of Guinness Nigeria Plc. We believe this model is valid to all manufacturing companies operating in Nigeria.
We are attentive in recommending this model to manufacturing operating out of Nigeria since differences in environmental and economic contexts could imply differences in management logic. This could be an issue of future research.

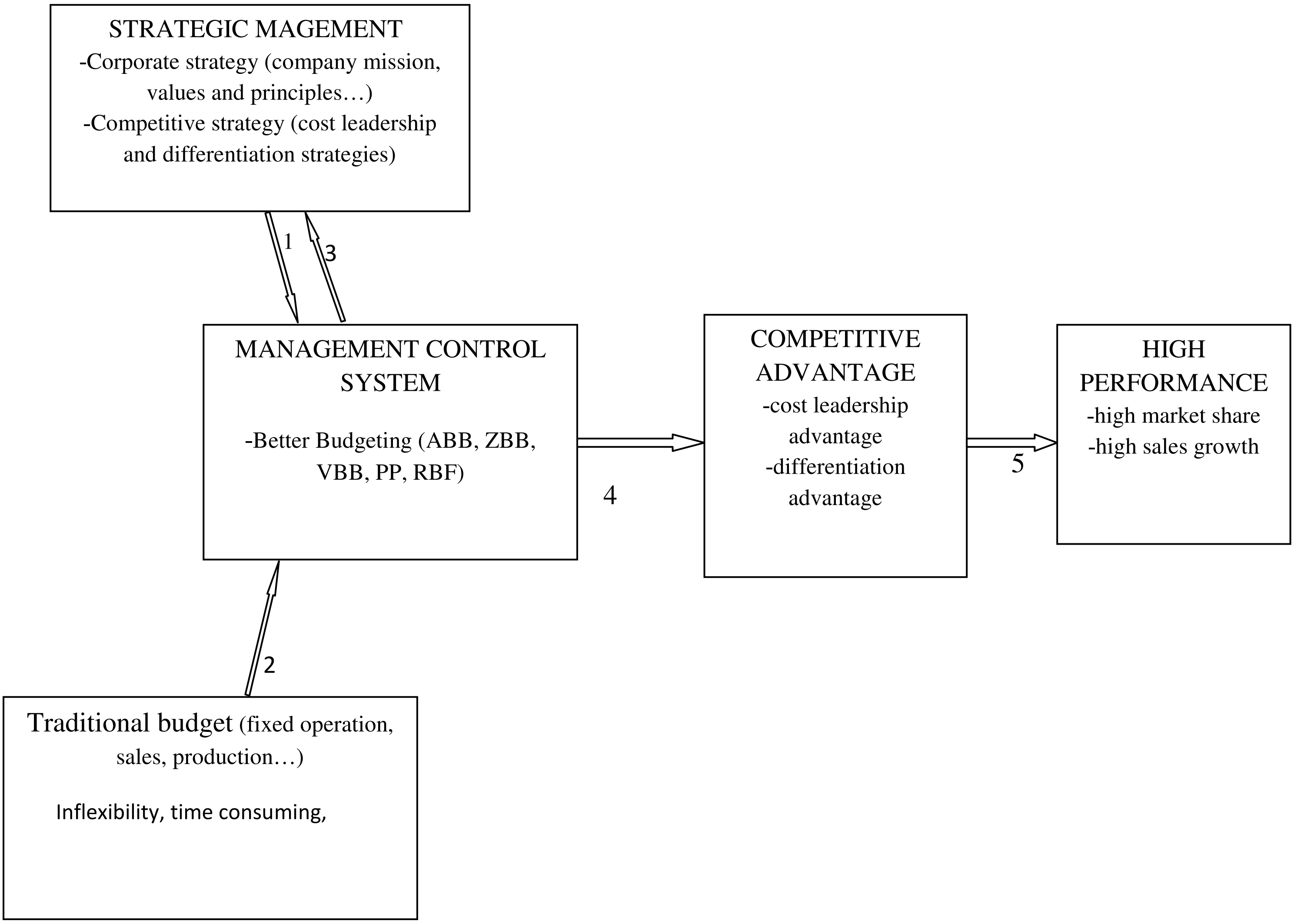


Figure 3. Relating strategic management, budgeting, management framework, competitive advantage and performance

Arrow one indicates those issues related to strategic pattern, strategic mission, and strategic position that management should consider when putting up a framework for management control system. Arrow two constitute features of budgeting that management should adopt in the light of strategic pattern, mission and position.
Arrow three are those elements of management control system that allows for flexibility in the strategic formulation.
Arrow four constitutes elements of a management control system built focusing on present strategy and they should or could create and sustain competitive advantage.
Arrow five includes those elements resulting from achieving and maintaining competitive advantage which are translated by high performance.

From analysis the budgetary practice of Guinness Nigeria Plc conforms standard as required by literatures. The management integrates strategic issues in the budgeting

6. CONCLUSION

From this study we have been able to describe the budgeting practice in Guinness Nigeria plc and it is clear how firms seek competitiveness by adopting appropriate management control system. Literatures as well as data from our case have proven a positive relationship between firm's management control system and performance. That's, designing management control system in the light of strategic issues (pattern, mission, position) should enhance competitiveness which when attained is translated as high performance. Our case has adopted the practices of integrating strategic management and budgeting which enables it to be competitive. It is clear from the analysis how budget could facilitate the creating and sustaining of competitive advantage by enabling the following management functions: forecasting and planning; communication and coordination; motivational device; evaluation and control; and decision making.
Also, we presented a model which in our opinion will help the management of Guinness Nigeria Plc. This model as we earlier said could be valid for all manufacturing operating in Nigeria.

To round up the conclusion, it is worth pointing out that the company's budgetary practice is up to date though there are lacking issues such as: its low use of IT system and its practice of using previous year as the base to project the current years.

7. FURTHER RESEARCH

Our study was concerned with Nigerian manufacturing. Therefore, the model we presented best fit the context. Generalizing the model to other context (beyond Nigeria) and also other sectors such as financial sectors, service sectors e.t.c. could require testing its validity.

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APPENDIX

Kindly respond to the statement below as objectively as possible making a tick (x) mark against any appropriate alternatives which mostly apply to you. Your responses will be treated in utmost confidence.

SECTION A (PERSONAL DATA)

1.) Name:……..
2.) Post Held: ………
3.) Sex: (a) Male ( ) (b) Female ( )
4.) Age:
    (a) Less than 20 years ( )
    (b) Between 20-30 years ( )
    (c) Between 31-50years ( )
    (d) Above 50 years ( )
5.) Religion:
    (a) Christianity ( )
    (b) Islamic ( )
    (c) Traditionalist ( )
    (d) Others (specify) ………………………………………………………………………………
6.) Qualification:
    (a) "o" Level/school certificate ( )
    (b) "A" Level or Equivalent ( )
    (c) First Degree, HND and Above ( )
    (d) Others (specify): ……………………………………………………………………
7.) Which of the following levels of management do you belong

(a) Strategic Management Level ( )
(b) Tactical Management Level ( )
(c) Operational Level ( )

SECTION B

1). When was the company established?..

2). is the company a foreign company?..

3). who are the major shareholders?..

………………………………………………………………………………………………
……………………………………………………

4). How many departments are there in the company?..

………………………………………………………………………………………………
……………………………………………………

5). is there a separate department responsible for budget preparation? Yes ( ) No ( )

6). If Yes, what is the name of the department?...

7). who heads the department?..

Please state: a). Designation:………………………………………………………………………………
………………….

b). Qualification:……………………………………………………………………………………
…………………

8. Who are other numbers in the departments?...

9. To whom does the head report?..

10. Is there a particular committee responsible for reviewing proposals from different departments?

Yes ( ) No ( )

11). what is the composition of the body...

12). Are its decisions final? Yes ( ) No ( )

13). If the answer to (12) above is No, then who makes the final decisions...

……………………………………………………………………………………………
……………………………………………………….

14). the company's latest annual Budget is of which year?..

15). is the current year's budget based on previous year's budget?

16). what budgeting techniques were employed?..

17). Are there practical controls to ensure that actual results conform to budget? Yes ( ) No ( )

18). what are the controls adopted?..

19). Budget and Budgetary Control induce negative reinforcement rather than positive?

Yes ( ) No ( )

20). what are the criteria's to (18) above..

21). who sets the performance targets?..

22). what are the performance evaluation methods being adopted to ensure that these targets are achieved?...

……………………………………………………………………………………………
……………………………………………………….

23). what factors are taken into consideration in the setting of these targets?....................................

……………………………………………………………………………………………
…………………………………………………..

24). What are the management control processes adopted for management control in your company?………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
……………

25). Budgeting and Budgetary control process help to eliminate waste and serves as a performance monitoring tool? Yes ( ) No ( )

26). To what extent has your company practiced this system of budgetary control and planning during the current year?...

……………………………………………………………………………………………
………………………………………………..

27.) What are the suggested effective ways of implementing management control in the company?

……………………………………………………………………………………………
………………………………………………..

……………………………………………………………………………………………
…………………………………………………….

28). Has conclusions being drawn and recommendations made as to how improvement could be made?...

29). What role does IT play in the budgeting and planning process in your organization?..
....

30). Is there a separate office or department mainly responsible for strategy implementation?...

31). what are the motivational ingredients in your budgetary process?...