ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTER OF BUSINESS ADMINISTRATION

ASSESSMENT OF BUDGETING FOR TRAINING AND PERFORMANCE EVALUATION: THE CASE OF ETHIO TELECOM HEAD QUARTER FINANCE DIVISION

BY: BELAYNEH YILMA

ID NO. SGS/0517/2010A

JUNE 2019

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN GENERAL MANAGEMENT

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APPROVED BY BOARD OF EXAMINERS

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Dean, Graduate Studies	Signature
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Internal Examiner	Signature

DEDICATION

This work is dedicated to my parents especially to my foster parents, Ato Hailemariam Feleke and W/O Ehte Mekuria, who has laid the solid foundation of my education and has contributed towards this program.

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I wish to acknowledge and need to thank my Lord and Savior the Almighty God for his infinite merciful love and has gave me good health and strength to go through this demanding study.

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I would like to extend my gratitude also to the administration of St. Mary's university school of graduate studies, the university's library and the library staff that enabled me to access the various materials used in compiling this work.

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Finally, I would like to thank all my friends, colleagues and others who comes across this work.

ACRONYMS

ABB - Activity based budgeting

BPP - Budgetary participation and performance

ET - Ethio Telecom

HO - Head Office

MCS - Management control systems

TEXA -Telecom Excellence Academy (The training institute of Ethio telecom)

ZBB - Zero-base budgeting

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ABSTRACT

This study evaluates budgeting for training and performance evaluation. (The case of Ethio Telecom head quarter finance division). It studies to identify the fundamental causes of management of budget and control or monitoring weaknesses observed in the division. It investigates budgeting practice, the performance assessment, the budgeting process techniques to be apply and the capability and experience of employees. The study adopts a combination of questionnaire & interview to achieve the research goal and to respond research questions. It specifically used questionnaire and in-depth interview. The study also employs a descriptive analysis of the data. The questionnaires designed to be filled by budget section, technical, commercial and support divisions staffs including accountants, account specialists & supervisors, who are under budget holder divisions staffs. In addition, individual interview was made with budget manager of the organization and other managers selected from support and commercial divisions. With these research methods the findings conclusively indicates that though the budget preparation method or approach in the organization is bottom-up (i.e. from lower level manager/staff to top/higher level manager) and managers in lower level has been preparing their budget at the early stage; including the final budget approval most of the budgeting activities: consideration of strategic plan in annual budget preparation, participation of lower level managers/staffs in budget preparation, budget utilization, investigation of factors leading budget variance and budget reporting method has a problem. In the end, the study suggests and forwards the possible actions or measures to be taken by the organization to mitigate problems in budgeting for training and performance evaluation of the division and in the budget holders of the organization then.

DECLARATION

This is to certify that the research/thesis titled "Assessment of Budgeting for training and performance evaluation: The case of Ethio Telecom head quarter finance division" is my original work for the partial fulfillment of the award of master's degree in Business Administration. This report has not been presented in any other university for the fulfillment of the requirement of a course of study.

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Student	**Signature**
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Advisor	**Signature**

ENDORSEMENT

This thesis has been submitted to St. Mary's university, school of Graduate studies for examination with my approval as a university advisor.

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Advisor Signature

St. Mary's University, Addis Ababa **MAY 2019**

CHAPTER ONE- INTRODUCTION

1.1. Background of the study

Introductory concepts, background information about budgeting, problem statement, research questions, objectives, significance of the study, scope and limitation of the study will present in this chapter.

Time and money are scarce resources to all individuals and organizations; the efficient and effective use of these resources requires planning. Planning alone, however, is insufficient. Control is also necessary to ensure that plans are carried out. A budget is a tool that managers use to plan and control the use of scarce resources. A budget is a plan showing the company's objectives and how management intends to acquire and use resources to attain those objectives. It is a basic and essential process and mathematical expression of plan that helps businesses to achieve various goals in one course of action.

A.U. Nweze (2004) described that, budget is a quantified monetary plan, maintained and approved prior to a defined period, showing usually planned income to be generated and or to be incurred expenditure during that period and the capital to be used or employed to attain or accomplish a given objective. It is a way one organization undertakes all its activities through it and it is difficult to succeed without it. ‟ A budget is a quantitative or numerical expression of a plan of action maintained or prepared in advance to related period. It is a plan expressed in terms of money maintained and approved prior (in advance) to the budget period which show or indicate income, expenditure and capital to be used (employed) „‟ (Lucey 1993).

There are several goals like: control and evaluation, planning, resource allocation, communication, and motivation that businesses need to achieve. Budgeting as a financial tool is useful for both evaluation and control of organizations for the planning of future activities. Application of these tools can greatly impact the performance of a company. Belverd E. Needles; Marian Powers and Susan V. Crosson, described that Budgets are essential to accomplishing the goals articulated in an organization's strategic plan. They are used to communicate information, coordinate activities and resource usage, motivate employees, and evaluate performance.

Budgeting as a tool in financial management regularly prepares performance plans and budget requests that describe performance goals, measures of output and outcomes in various activities aimed at achieving performance goals. This helps in the sense that annual plans set forth in measurable terms form the levels of performance for each objective in the budget period.

The decision how to allocate limited financial and non-financial resources, in effective and efficient way, is a significant challenge in all organizations. Currently this task become impossible without budget in most large and complex organizations, and without effective budget analysis and budget problem feedback, organizations can become bankrupt. Various problems can be addressed using budgeting technique. Understanding (Knowing) the organizational objectives or needs of a strategic corporate plan will help to make or create efficient (effective) plans to guide organization's progress or growth (Root, 2014:1).

Management control system plays a vital role in large business organizations. It serves as an instrument to ensure the attainment of organizational goal.

Management control is defined as a system by which managers impact other members of the firm to implement the firm's strategies. The system or method used by management to monitor the activities of a firm is called management control system (method)." (Anthony and Govindarajan, 2008, p.6).

Management monitoring deals with the elements: strategic planning, budgeting, allocation of resource, measurement of performance, evaluation and reward, allocation of responsibility center and pricing transfer (Anthony and Govindarajan, 2008, p. 1). The designs of all these issues have their own impact on the success of control system in an organization.

Budgeting as a tool in financial management regularly prepares performance plans and budget requests that describe performance goals, measures of output and outcomes in various activities aimed at achieving performance goals. This helps in the sense that annual plans set forth in measurable terms form the levels of performance for each objective in the budget.

Budget is also a mathematical expression of management plan. It is away through which one organization undertakes all its activities. Without budget there is no successful work to be done. Belverd E. Needles; Marian Powers and Susan V. Crosson, defined that budget is—plans of action based on forecasted transactions, activities, and events—are synonymous with managing an organization. Organizations use the budget: to motivate employees, allocate resources and coordinate operations within an organization, and have been, the primary purposes of the budget. Budgeting is aimed to facilitate obligation or responsibility distribution and is used to asses (evaluate) achievement or performance (Libby &Lindsay Part1, 2003).

Budget in the organization help various roles of planning, coordination, communication, evaluation and decision making. Belverd E. Needles; Marian Powers and Susan V. Crosson, also clarified that budget in the organization is used: to foster organizational communication, to ensure a focus both on future events and on resolving day-to-day issues, to assign resources and the responsibility to use them wisely to managers who are held accountable for their results, to define organizational goals and objectives numerically against which actual performance results can be evaluated. Budgets can identify potential constraints before they become problems, it also facilitates congruence between organizational and personal goals. Thus, understanding the basic and essential budgeting process is vital to solve the significant challenge of organizations i.e. to allocate limited financial and non-financial resources, in effective and efficient way.

Budget in Ethio Telecom has been used as a management planning and monitoring tool. It is prepared annually and is a means of resource allocation to the different (various) sections of the organization. The total budget of the organization can be allocated to the implementation of various activities. Budget in ET is a means of implementation or application tool of various programs and projects. It is allocated (used) to the installation, expansion and improvement of various telecom networks and infrastructure.

In the organization there are two types of budget. These are capital and operational budget. Operational budget is a budget which is used or allocated to perform the different operational or day to day activities of the organization. It is a projection of all estimated (predicted) revenues and expenses during a year. Capital budget of the organization on the other hand, is the estimated amount (fund) planned to be expended or used for capital items in a given budget year. They are fixed assets like facilities, telecom equipment, installation and extension or expansion of telecom infrastructures.

The organizations' budget section is responsible to manage the activities of the whole budgeting and reporting process. The budget once is approved, it will be communicated to all the budget holders/users. The budget holders are divisions or divisional offices which are responsible to manage & control their budget effectively and efficiently.

However, as per the preliminary assessment, the organization is not able to control its financial resources resulting from poor budget formulation and monitoring process. Therefore, in Reality it seems there is no proper budget formulation and controlling in the company. The issue has great influence on fund utilization, target attainment, performance measurement, organization of the various units, and initiation of managers and employees across the organization; which also a cause for problem in budgeting for training, for Ethio Telecom Head quarter Finance division i.e. a type of budget maintained by one of the budget users in the organization who are highly influenced by various budget related problems that has a gap in budgeting & utilization of budget that needs hence, to study.

1.2. Statement of the Problem

How to allocate limited financial and non-financial resources decision, in effective and efficient way, is a significant challenge in all organizations. The task currently become impossible in most large and complex organizations, to maintain without budget.

Ethio Telecom has been maintaining many activities in order to expand its service delivery across the nation to attain its stated goals and objectives. For the achievement of its goals and objectives the organization prepares a strategic plan every five year. The organization prepares the annual plan and budget based on the strategic plan. Budget preparation and the monitoring process shall be administered effectively and efficiently to accomplish company goals within the given resource limit. The management group and the users of budget of Ethio Telecom expected to realize their responsibilities in this regard.

However, as per the researcher's preliminary assessment the organization is not able to control its financial resources resulting from poor budget formulation and monitoring or controlling process. Therefore, it seems there is an irregularity that there is no proper budget formulation and controlling in the company. The situation also influencing the smooth relationship among management group. It required by higher level management to meet lower level managers & workers their objective based on the approved budget scope and timetable, whereas, the focus by lower level group is on achieving operational activity plan regardless of the budget limit. It is complained by some of the departments that the allocated budget to them is highly insufficient in relation to their activity and the allocated budget to other departments.

Therefore, those budget users who are complaining that their budget is inadequate are forced to request additional budget frequently throughout the budget year. In contrast, the budget allocated to others is exaggerated and may not be achievable in relation to their operational plan. As a result of this, there is continuous friction among the managers throughout performance evaluation activities in the budget year.

All these issues have great influence on fund utilization, target attainment, performance measurement, organization of the various units, and initiation of managers and employees across the organization. And budgeting for training, for Ethio Telecom Head quarter Finance division is a type of budget maintained by one of those budget users who are highly influenced by such cases that has a gap in budgeting & utilization of budget that needs to examine.

Hence, this research will try to analyze, evaluate and examine budgeting for training & its performance of head quarter finance division in Ethio Telecom.

1.3. Research Question

In relation to the objectives, the researcher develops central and specific research questions. The main questions will contain: How the budget preparation process practice in ET affect the efficiency of employees, the appropriateness of budget approval, whether appropriate budgeting system is used or not and the quality (capability) and experience of staff resources. The following specific research questions also addressed:

1. Whether the budget for training to budget users/holders/HO finance division is linked with strategic plan of ET or not,
2. How much is the employee of the division and the employee of other budget users in ET participate in budgeting process.
3. If the organization develop effective budget controlling/monitoring mechanisms across budget holders or not.
4. If the organization manage the effectiveness of budget holders/users with their budget usage or not.

5. What seems or looks like the difference between budget (Plan) and actual (Performance),
6. Whether factors that can lead to training budget variances of budget users/holders/ HO finance division are investigated and control measures taken or not.

1.4. Objective of the study

The main purpose of this study is to examine budgeting for training & performance evaluation in ET head quarter finance division. It will achieve a wide objective in relation with the problems in preceding section. Its specific objectives will be:

- Investigating how the budget for training is linked with strategic plan of ET,
- Including budget allocation process to assess the appropriateness of budget maintenance in the organization/ HO finance division,
- Evaluating how the organization's budgetary approach is participatory,
- Examining how budget difference analysis is made,
- Identifying whether appropriate action is taken or not based on budget difference analysis,
- Assessing how in the organization performance evaluation is made based on budget,
- Evaluating how factors that can lead to training budget variances of budget holders/ HO finance division are investigated,
- Identifying whether control measure is taken or not based on the evaluation of training budget variances.

1.5. Significance of the study

The design of appropriate budget and controlling system is crucial for large organizations like Ethio Telecom in order to achieve their organizational goal. The study will help to develop appropriate budget system & controlling mechanism of the organization.

The main use of the research will be to Ethio Telecom. The organization may able to do its activities, able to perform evaluation method and can take corrective action for its weakness based on recommendations. Particularly, top management and the budget section will improve the activity of budget formulation and controlling system based on the outcome of the research.

On the other hand, once the appropriate frameworks are designed and used in a consistent way, the management can use the budgetary monitoring method as a performance evaluation tool. This will bring initiation, the efficient utilization of resources and appropriate coordination of the different units of the organization. The study also will be a basis of an input for other researchers for further study of similar issues. Moreover, the generalization of the study can be instructive for companies that have a similar budget designing as Ethio Telecom.

1.6. Scope and limitations of the study

The paper address Assessment of budgeting for training & performance evaluation in ET head quarter finance division. It has studied to identify the fundamental causes of management of budget and control or monitoring weaknesses observed in the division. On the other hand, there is a limitation in that, Since Ethio telecom is one of the largest government organizations, its service is spread throughout the country. It is wide and has many operating offices/sections/Divisions. Hence, it is not possible to include all budget holders in the sample due to time and cost constraint. As result, of the fourteen divisions (budget holders), eight divisions were selected for the study.

1.7 Organization of the study

The research is organized into five chapters. The first chapter i.e., the introductory chapter, contained background of the study, problems of the statement, research question, study objectives, significance of the study, scope & limitation of the study and organization of the paper. The chapter covers the introductory aspect of the research and gave an in-depth knowledge of why the topic need to investigate.

The second chapter described the literature review. This chapter looks the theoretical framework of the required literature review. It is basically focused on existing theories and knowledge related to budgeting for training and performance evaluation in ET head quarter finance division. The research design, sample and sampling techniques, types of data & collection method and data analysis are presented in the third chapter. It covers the methodology, methods and tools to conduct the research. Furthermore, the fourth (4th) chapter discussed a comprehensive data analysis presentation and the fifth chapter-maintained summary, conclusions & recommendations of the research.

CHAPTER TWO-LITERATURE REVIEW

This chapter presents the related literature review. It is organized in budgeting and performance evaluation review theoretical study and presents the empirical evidence on budgeting and related issues.

Here is to see what a theoretical background in preparation budget is, i.e., knowledge gap is the main problem which happen between individuals in making effective budget applicable with slight difference between forecasted and actual budget. Hence, the chapter will present theoretical concept on how to maintain standard budget and various budgeting process elements, various budgeting systems with their advantages and budgetary involvement and employee participation role toward increasing of budget performance.

2.1. Theoretical Literature

Present day business units are facing stiff competition, uncertainty and exposed to different types of risks. A budget is a very important type of short-range plan; a plan that is expressed in a numerical term. It presents the procurement & utilization of financial & other resources information over a long-term or a short-term period. Based on Lumen, Managerial accounting; A budget is a tool or an instrument that managers use to plan and control (monitor) the use of scarce resources. It is a plan showing the company's or organization's objectives and how management intends to obtain or acquire and use resources to achieve those objectives and, is an objective regulator or controller of the financial structure of organization's (company's) activity and a tool that push or initiate management to be responsible (accountable) in a structured and objective way.

It also described that, a budget:

-Shows the coming periods management's operating plans,

- Formalizes or confirms management's plans in quantitative (numerical) terms,

-Forces all levels of management to think forward (ahead), anticipate results or solutions, and act to remedy possible weak (poor) results,

And:

-May motivate individuals to attempt or strive to achieve stated objectives (goals),

The preparation and use of budgets have various benefits. For example:

- Businesses can better coordinate or organize their activities,

-Managers become aware of plans of other managers',

-Employees (workers) become more cost conscious and try to keep or conserve resources,

-The company reviews or analyses its organization plan and changes it when needed or necessary, and:

-Managers foster a vision (idea) that otherwise might not be developed.

It also:

-Facilitate a strong link or connection between historical trends, outputs and results or outcomes,

-Have transparent and verifiable (provable) definitions and sources or bases of data (qualitative and financial), and systems or methods for calculating costs,

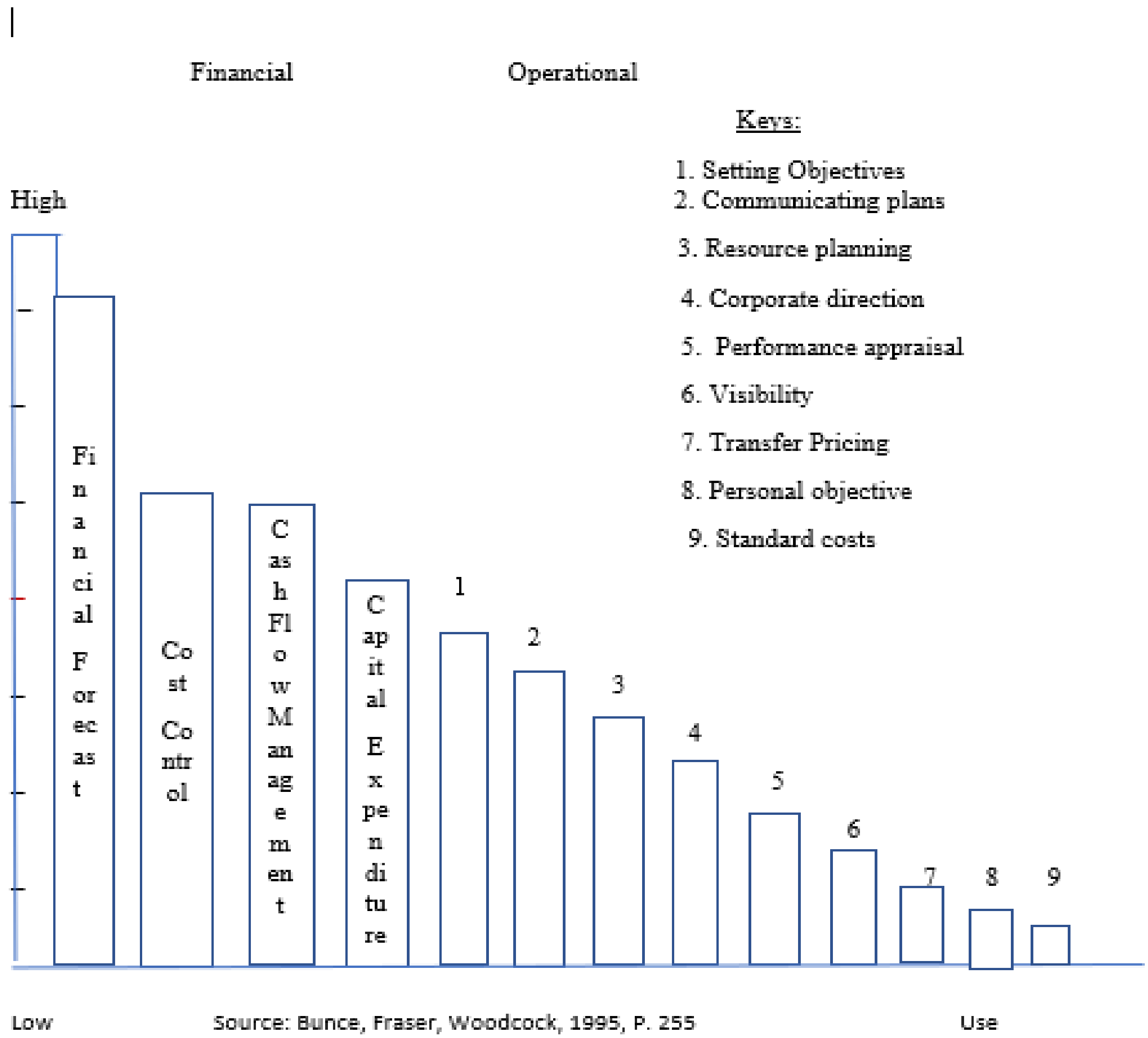
-Be based on existing or current national, institutional policies or procedures and follow best practices in local markets;

-Be consistent and enable or allow comparison of costs over time,

-Reflect or show the balance between the benefits or earnings of better information and the costs of getting or obtaining it: the design, implementation (application), and continuous improvement of costing systems or methods, data collection of data, and systems should reflect (show) this balance. How managers control or monitor budgets are the key to their value.

Functions that typical budgets what to contain or cover are very wide. It comes as no surprise then, that those budgets are being (now) used today in practice for various purposes or reasons. Bunce, fraser and Woodcock's (1995) study or survey showed (presented) that general budgets uses can be divided in to operational and financial type of uses. Figure 1 clearly shows that, of the various or different uses of budgeting for management, those financially oriented (focused) like the budgets use for financial forecast, cost control, capital expenditure supervision, and cash flow management, are the most important. The need to improve performance or achievement is intensifying to the point or fact that it is no longer enough just to control costs, but that organizations must pay attention also to things like communication, strategy, and employee evaluation. These are reasons or purposes for which in the past budgets have not been used or performed so much.

Figure1: Uses of budgeting for management



Source: Bunce, Fraser, Woodcock, 1995, P. 255

2.1.1 Budgeting Process

The budgeting process involves planning for future profitability because earning a reasonable return on resources used is a primary company objective. A company must devise some method to deal with the uncertainty of the future. The budgeting process generally involves a repetitive cycle with moves between targets required performance and estimate of feasible achievement or performance until there is hopefully, meeting or convergence to a plan which is both acceptable and feasible. (Emmanuel et al, 1990).

A company that does no planning whatsoever chooses to deal with the future by default and can react to events only as they occur. Most businesses, however, devise a plan for the actions they will take given the foreseeable events that may occur. If we look (see) beyond many iterations and details of the usual process of budgeting, we can see that there is a simple generally or universally applicable budgeting process, which can be describe the phases in the following manner (Finney, 1994).

-Budget forms and instructions are distributed to all managers.

-The budget forms are filled out and submitted.

-The individual budgets are transformed into appropriate budgeting/Accounting terms and consolidated in to one overall company budget.

-The budget is reviewed, modified as necessary, and approved.

-The final budget is then used throughout the year to control and measure the organization.

Table -1: Top-Down versus Bottom-Up approach

	Top-Down	Bottom-Up
Advantages	-Less administration and time required to complete the budget. -Allows (lets) managements to incorporate or include their overall (general) strategic plan into the budget - corporate interdependencies inclusion.	- Employee participation and motivation -Encourages interaction or communication within and among the various units/departments -Improved or increased budget accuracy (precision) and more relevant or related variance analyses
Disadvantages	-Employee or worker motivation may become a problem (difficult). -Unable to access information at the beginning or source.	- Time consuming - Inaccurate date -Opportunism if used for the purposes of evaluation.
When to be used	-Middle management is new and not know well the operation. -Middle management or Middle level manager is not aware of all the expected or anticipated development and changes that will occur within the organization. - The company is very small and to contribute to the budgeting process, middle management has little extra or additional information. -Communication among departments is pure. - Middle and lower management do not have enough time to create a budget. -The organization does not possess (hold) the tools that would allow (permit) easy consolidation and review (evaluate) of budgets from multiple or various business units.	-Lower management has the most (maximum) knowledge about local operation (process). -Low management can produce accurate and relevant budgets. -Company infrastructure support communication within and among business units. -Departments are uncertain or unlikely to have omitted or redundant data. -Budget input from multiple or various sources can be consolidated easily.

Source: Rasmussen, Eichorn, 2000, P.20-25.

2.1.2 Types of budgeting

Budget concept differ from organization to organization. Budgeting concept basically involve assessing future achievement, comparing actual performance against estimates, and evaluating the variance among them.

Basically, two types of budget are there (Cohen, 1994): operating budget and capital budget. Operating budget contains plans for all operations that make up the regular activities of the firm. It is each division's input, summarized by function and shown in the company's profit and loss statement format. Each individual division has what is usually referred to as a report for operating expense, so that each division manager can control his respective activities on a monthly basis.

Keeping to submitting a divisional budget, each manager will also prepare a capital budget request which is an estimate of money each manager will require in order to obtain capital assets that need to support activities in the budget year.

Capital budgets evaluate long-term capital projects such as the addition of equipment or the relocation of a plant.

2.1.3 The Role of participation in the budgeting process

We have seen from the above discussion that, as a plan and a control mechanism budgeting have a significant effect on organizations performance. However, the distribution of information among members of organization is another vital benefit of budgeting process. Management uses budgets to show how it intends to acquire and use resources to achieve the company's long-range goals. Employees are more likely to strive toward organizational goals if they participate in setting and preparing budgets. (Hopwood, 1976) argue (maintain) that the budget value of budget as a standard against which actual attainment or performance will be measured and as a plan of what is to happen and as a standard against which actual performance will be measured, depends largely on whether and how capably or skillfully this negotiation is conducted. Often, employees have significant information that could help in preparing a meaningful budget.

Also, employees may be motivated to perform their own functions within budget constraints if they are committed to achieving organizational goals.

When budget difference happens, involvement and discussion between different levels of management facilitate and enable correctly finding the probable reasons for such differences and the corresponding remedial measures to be take.

2.1.4 Budgetary participation and performance (BPP)

There are two main conceptual approaches connecting budgetary involvement with performance in recent literature of management accounting.

First, theories of psychological (e.g., Murray,1990) state that the opportunity (chance) given to subordinates through involvement or participation in the process of budgeting can stimulate their initiation (motivation) and commitment with setting-budget-, which in turn improves the subordinates' performance and job satisfaction (Brownell & Melnners, 1986; Kren, 1992). Shields and Shields (1998) also explore that, involvement improve subordinate's belief, sense of control, and ego participation with the firm, which then leads to be commitment to achieve organizational goals and motivated to perform their own functions within budget constraints.

Second, the budget participation or involvement and performance (BPP) relationship is clarified (explained) from a cognitive point in that, through budget participation, subordinates gain (get) information from superiors that helps explain or clarify their company roles, including their duties, responsibilities, and required (expected) performance, which in turn improves or enhances their performance (Kren, 1992; Shields & Young, 1993; Chong and Chong, 2002). Hence, budget involvement leads to reduce role ambiguity, which, in turn, related with higher performance.

Role ambiguity according to role theory, denotes or refers to the lack of predictability or certainty and specificity for an employee's (worker's) job or role functions or activities and responsibility (Kahn et al., 1964; Beehr, 1976).

Unclear role-related information can lead to role ambiguity. How exactly role expectations or goals influence or affect creativity has received significant or considerable interest. Mumford (2000) stated that goals or objectives are an informational directive mechanism. Objectives or goals are an important (vital) factor in creativity since they are often (frequently) ambiguous, and ambiguity can induce stress. Moreover, Ford (1996) suggested that employees (workers) who are confused by other goals or objectives (e.g., who are trying or attempting to cope with strain or to minimize strain) may abandon creative initiatives. The empirical evidence of 0'Connor (1995) proposes or suggests that budgetary participation or involvement is useful in reducing or minimizing the role ambiguity of the subordinate.

Jackson and Schuler (1985), Chenhall and Brownell(1988) state that when goals or budgets are set the expectations or anticipations of the role will become clear. By participating, various methods or systems of achieving role expectation can be studied or examined to consider how the anticipation or expectation can be achieved. And impacts (consequences) of performance (achievement) in the role can be explained or clarified participating in the planning and assessment (evaluation) stage of budgeting.

Regarding to performance or achievement measurement, most researchers when finding (exploring) the BPP relationship indicate that, with the participation of organizational members of different levels in budgeting process, budgetary involvement or participation will improve the top managers or unit managers competence in the eight areas of managerial activities (i.e. planning, investigating, coordinating, evaluating, supervising, staffing, negotiating, and representing). Consequently, to measure the managerial performance (achievement) of an organization, these eight dimensions are used.

In relation to performance measurement, if individuals feel that they have a voice in setting the budget targets, they will be motivated to ensure that their departments attain those targets and stay within the budget. If they do not feel that they have a role in the budgeting process, motivation will suffer (Belverd E. Needles, Marian Powers, Susan V. Crosson).

2.1.5 Stages in the preparation of a budget

In the preparation of a budget several stages can be identified, Cherrington et al (1988) and lzhar (1990). Like:

Stage one. Contain determination of significant aims for the subsequent period and any substantial external changes that possible to influence the business and interacting these to the budget makers to understand what dominant matters to keep in mind when doing their budgets.

Stage Two. Find significant features or restricting factors. As any firm's has some issues which restrict its development, an error in a significant feature budget can fall all the subsidiary budgets.

Stage Three. Consider sales ultimately in the restricting factor, maintaining of sales budget. because of many external effects which directs its stage over which the organization has no control, this is the main difficult budget to prepare.

Stage Four. Is the starting of subsidiary budget preparation.

Stage Five. Involve subsidiary budget evaluation and organization by the budget committee or budget officer.

Stage Six. The specific subsidiary combined in one master budget maintained in the form of a budgeted statement of profit & loss and balance sheet.

Stage Seven. At this level, the work will present to the board of directions for final decision.

2.1.6. Budgeting System

2.1.6.1 Zero-base budgeting (ZBB)

Zero-base budgeting is a cost benefit method whereby it is assumed (likely) that for an item the cost allowance is zero and will remain till the manager responsible explains the existence (presence) of the cost item and the use or benefit the expenditure brings, Lucey (1996). The zero-base approach or method requires each organization (company) evaluate and review all its activities and programs systematically on the bases of achievement or performance output and costs, to emphasize the decision making of management first and budgets of numbers-oriented second, and to rise or increase the analysis of allocation (input) alternative. Although management method to the adoption or implementation of zero-based budget differ among corporation or organization since the process must be applied or adopted to fit the specific requirements of each user. (Pyhrr, 1976)

Zero based budgeting has advantage in that it can use resources efficiently to operations and departments. Zero based budgeting has also a limitation in that it is a time taking process which can create bulky paperwork. It needs significant management skill both in drawing up and grading process decisions.

2.1.6.2 Rolling budgets or continuous budgets and forecasts

Business required flexible and creative when we say survival in a competitive environment, mostly through the development of new products and services, in addition to improving productivity and client services simultaneously. Rolling forecasts (predictions) take the dynamic or active changes into account and support (help) organizations predict or forecast potential risks and opportunities and respond (react) more effectively to the volatile or unstable business environment (Seechoonparsad,2009). But, inserting the impact of invention in the budget can be difficult, particularly if fixed budgets are used by organizations for specific time.

These fixed budgets need to review at regular intervals so that modification and corrections can be made when required, but the basic budgets continue the same during the period. Due to rolling budget, managers must rethink the process and make improvement or changes each period or each month. The outcome of this is usually a more correct, up-to-date budget incorporating or including the most current (recent) information (Horngren et al, 2000). As organization once has decided to make strategic financial planning using rolling forecasts, it should know or ensure that the forecasts are appropriately focused and not simply or not only extension of the budgeting movement or process.

A continuous budget or rolling budget is a plan that is frequently update so that when the actual period maintained the budget vary, the time frame remains constant.

By planning (like, monthly or quarterly) in smaller time frames, managers and frontline workers can make a better assessment or evaluation of their work improvements or progresses and thus set more realistic (correct) targets. This attractive method pushes decision (result) down to the production floor and, hence, supports gaining the commitment of employee and faster adoption of efficiency or productivity improvements (Drtina et al, 1996).

Advantages & Disadvantages of Rolling budgets and Forecasts

Rolling budgets and forecasts has an advantage in that;

-It motivates decision makers to think about planning as a continuing process,

-Instead of as a static event to rapidly varying environment, it is an opportunity to give more “Real time” replay to quickly varying environment,

-Theoretically, the annual planning process is excluded; the projection for next or succeeding year is simply the first rolling forecast.

-Planning is not expressed by the calendar but can be generated by important events and changes.

It has also limitations, in that:

-Like budgeting procedure, executives’ and workers should forecast responsibly and not consider (regard) it as a repetitive job.

-Instead of yearly as before, it must complete monthly or quarterly which rises work and cost related to budgeting,

-Constantly changing assumptions or expectations and the financial implications of those expectations tends to invalidate (loosen) targets, along with the acceptance or commitment to achieve them.

-The process of planning can become too time-consuming.

2.1.6.3 Activity Based Budgeting

Activity based budgeting is a quantitative or numerical expression of the expected activities of the company, reflecting management’s forecast or prediction of workload and financial and nonfinancial needs to meet agreed strategic objectives and planned changes to enhance performance (achievement). Its main principal can be listed as (Brimson, Antos, 1999).

-Attain superiority excellence by removing waste and by minimizing workload.

-Change the focus to used and unused capacity from fixed and variable cost budgeting,

-Synchronize and coordinate tasks or activities within and outside of the company.

-Rather than the results, control the process and understand (know) underlying causes and effects.

-Include suppliers and customers and in the decision-making process.

-Use mistakes or errors for learning, not for blaming.

-Use features and client (customer) characteristics to know or understand the source(cause) of product variation and how clients or customers are creating it.

Activity based budgeting defined as activity-based costing performed or achieved in reverse (opposite) while activity based costing trace costs (charges) from resources to activities, then from activities to specific services and products, activity-based budgeting moves in the direction to opposite and traces costs (charges) from the products to activities, then from activities to resources Cooper and Kaplan (1998).

The activity-based budgeting approach or method in short, combines a more complete operational or functional model with a detained financial model (type) where work activities are set or established as a building blocks for budgets. The subsequent or resulting model makes resource consumption (use) highly visible while identifying resources of inefficiencies or imbalance. The resulting activity-based budget transparency promote the allocation of resources or funds to their best uses in line with firms or organizational priorities, improve decision making and performance (achievement) evaluation, it also improves operational flexibility (Klammer et al,1997)

Advantage & disadvantage of Activity based budgeting

Activity based budgeting has an advantage to balance operational need, i.e.,

-It avoids unneeded calculation of the financial outcome of operationally not feasible plans.

-It focuses on maintaining a budget explicitly from operations and resources.

-The explicit analysis of capacity of resource and the increased visibility of consumption of resource allow organizations to identify issues of capacity and adjust (correct) earlier in the process of budgeting than in traditional processes of budgeting.

-Lower level managers and employees (workers) can more easily understand or know and communicate information about budgeting in operational rather than (instead of) financial terms. Activity based budgets may can lead to improved performance or achievement evaluations by specifying accountability.

-The activity-based method reinforces horizontal process view of the company cutting across borders of department, in contrast to the old-style or traditional budgeting's vertical orientation.

It has also a limitation that,

-Information accessibility about processes, activities, and resources and the cost of making and using the information.

-If the organization already does not now have activity-based costing method, it is difficult and costly to make practical.

-Its ultimate achievement heavily depends on management's acceptance to act on the data.

-Due to numerous linkages of cause and effect among the demand for services and products, activities required to provide (offer) them, and the resources needed to perform the activities (works), the activity-based budgeting system is bulky and time taking to maintain.

Although for implementing or applying activity-based budgeting having or using an activity-based costing system is a precondition, having an activity-based mindset or mentality will greatly simplify and assist in the application of activity-based budgeting especially if the organization already has strong or significant informational support method or system (Hansen, Torok, 2004).

2.1.6.4 The Balanced Scorecard

The major idea of this system is that the balanced scorecard interprets firm's mission and plan into a general set of efficiency measures that offers the framework for a planned measurement and controlling system. The scorecard measures organizational performance (achievement) across four balanced perspective (financial perspective, internal business perspective, customers perspective, and learning and growth perspective) Kaplan and Norton (2001) suggest that organizations should follow a step-down technique to make transition from high-level long-term plan or strategy goals to annual budgets for local activities or operations in following way.

-By defining planned goal and measures, interpret strategy into the balanced scorecard.

-Establish stretch goals for well-defined future times for individual measure and determine planning gaps to encourage and stimulate creativity.

-To end up the planning gap, thus allowing the stretch goals to be attained, determine planned initiative and resource need.

-Approve financial and human resources for planned initiatives and insert these needs in to the yearly budget.

The annual budget should contain or consist of two component (parts) a strategy budget to manage (direct) discretionary programs and an operating (functioning) budget to manage the productivity or efficiency of departments activity and line items.

As the balanced scorecard replaced or substituted the budget as the center (middle) for management processes, organizations in effect created a new kind of company based on the requirements of their plan or strategy the organization (company) that Kaplan and Norton (2001) named as the strategic-focus organization (company). The common feature of the kinds of companies is that they have, by clearly defining the strategy (plan), communicating it consistently and connecting or linking it to the drivers of change (transition), developed a performance (achievement) -based culture that has connected (linked) every unit and everyone to the unique feature of the strategy.

2.1.6.5 The beyond budgeting model

This model denotes a set of greatest trends from organizational setup and delegation of responsibility to planning and efficiency administration which firms', that have abandoned the old-style budgeting system in one-way or another, are one using to answer to constant market change, unexpected rivalry and growing client needs. Their objectives have been to delegate the responsibility and accountability to teams closer to clients in addition to decrease the cost of budgeting and making practical more adaptive planning activities, but also the way these firms dealt with rewards was a key factor of an effective change. Rather than on fixed performance agreements or contracts agreed upon in advance, the more successful or effective cases have based on evaluation (appraisal) and rewards on relative improvement agreements (contracts) with hindsight (Hope, Fraser, 2003b).

Realizing that attempted to improve or promote traditional system with introducing (presenting) Zero-based, activity-based are not solving or answering the problems caused by the fast - business world change, Beyond budgeting round table (BBRT) associates or members have decided to make or create a flexible and reactive or responsive management model (system) that will be based on effective strategic or planned management and the replacement (substitute) system of the command and control (administer) organizational design with the dispersion or distribution of effective (operative) authority to front line management.

2.2. Empirical Literature review

(Amalokwu and Obiajulum, 2008) in a thesis present a paper titled Budgetary and management control practices (budget being the tool for management control in Guinness Nigeria plc "The study was described based on a qualitative approach in data collection (primary data) research purpose, data analysis as well as critiques to the method use. A sample of 50 respondents was used. The research conclusion was that budgets could facilitate the creating and sustaining of competitive advantages by enabling the following management functions. Forecasting and planning, communication and coordination, motivational device evaluation and control and decision making.

A survey conducted by (Ambetsa, 2004) of budgeting control practices by commercial airlines operating at Wilson Airport, Nairobi indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in the preparation of the budget and lack of top management support. He further concludes that airlines operate and use budgets to plan, implement and evaluate their business performance. All enterprises make plans using budgets some in a systematic and formal way, while others in an informal manner but still have some form of budgetary control and budgetary control practices. Therefore, the issue is not only to prepare a budget but also how to do it effectively.

2.3. Conceptual Framework

Several authors have made various propositions and have defined the term budget; from various perspectives, mostly on individual perspectives and experiences. Aseshemic (1997) defined a budget as a financial or quantitative statement of plan to be pursued for achieving given objective.

According to Brown and Howard (2002), a budget is a predetermined statement of management policy during a given period which provides a standard for comparison with result achieved. In the views of Charles (1997) a budget is a quantitative expression of plan of action and an aid to coordination and implementation. This suggest that budgets are designed to carry out a variety of functions; planning, evaluating performance, coordinating activities, implementing plans, communicating, motivating and authorization, thus punctuating the basic element of a result oriented budgetary system. To Parker (1997), budgeting is a faith accompli in economic discourse, because resources are scarce relative to need for them. Thus an overall perspective of budgeting is such that, it can be viewed as an instrument that provides a benchmark for the measurement and control of performance, while it equally provides feedback information, which facilitates ability to take corrective measures, based on its relativity to the nature and types of planning. Cope (1994) views the term budget as a comprehensive plan expressed in financial terms by which an operating programme is effective for a given period of time (usually one year) including estimates of the services, activities and projects comprising the programme, resultant expenditure requirement and the resources usable for their support. In the views of Lucey (1988) as it relates to the discourse, a budget is the annual process of funds allocation, which should be seen as stages in the progressive fulfillment of the long-term objectives of the organizations. Accordingly, the budgeting process steers the organization towards the long-term objectives defined in the corporate plan.

An analysis of the above propositions on the concept of budget reveals that although they have different interpretations, they all have a common element. In essence, a budget is a predetermined statement of management policy during a given period, which provides a standard for comparison with the results actually achieved. A budget is generally the organization's expectation in the future and it basically involves planning (which involves the control and manipulation of relevant variables - controllable and non-controllable) and reduces the impact of uncertainty. It makes management active to influence the environment in the interest of the enterprise. A budget expresses the plan in formal terms and helps to realize the firm's expectation. It is a comprehensive plan in the sense that all activities and operations are considered when it is being prepared.

CHAPTER THREE- RESEARCH DESIGN AND METHODOLOGY

This chapter presents more concisely the research methodology and instruments employed to conduct the research. It focuses on the areas such as the research design, research approach, sample size, sampling technique, types of data, data collection methods and method of data analysis.

3.1. Research Design

To provide an accurate and effective representation of Summarize (condense) the factors or variables that are relevant to the research question, the study employs a descriptive analysis of the data. In doing so; to evaluate the organization's actual practice the researcher hence, had used or maintained the literatures on budget as a benchmark.

Susanna Loeb, Pamela Morris, Susan Dynarski, Sean Reardon, Daniel McFarland, Sarah Reber (March 2017) stated that descriptive analysis stands on its own as a research product, such as when it identifies socially important phenomena that have not previously been recognized. In many instances, description can also point toward causal understanding and to the mechanisms behind causal relationships. No matter how significant a researcher's findings might be, they contribute to knowledge and practice only when others read and understand the conclusions. Thompson (2009) suggested that descriptive analysis are numbers that were analyzed to describe what was happening in the sample.

3.2. Research approach

The study used mixed research approach to achieve the research goal and to respond research questions. It specifically, used questionnaire and in-depth interview. Questionnaires have many uses, most notably to discover what the masses are thinking. These include: market research, political polling, customer service feedback, evaluations, opinion polls, and social science research (O'Leary, 2014). Questionnaires allow the researcher to gather a significant amount of data at relatively little cost. Questionnaire distributed by post can be posted to the target group, and the latter can choose to answer whenever it is most convenient for them (Gilbert 2001). Email acts as another delivery channel and can reduce costs even further. O'Leary (2014) suggests some obvious strengths for questionnaire research method, as administering a questionnaire allows the researcher to generate data specific to their own research and offers insights that might otherwise be unavailable

Interviews are particularly useful for getting the story behind a participant's experiences. The interviewer can pursue in-depth information around the topic. Interviews may be useful as follow-up to certain respondents to questionnaires., to further investigate their responses. (McNamara,1999). A qualitative research interview seeks to cover both a factual and a meaning level. (Kvale,1996)

Data was collected by giving every sample individual the questionnaire in hard copies. It was distributed to budget section, technical, commercial and support divisions staffs including supervisors, specialists, accountants and personnel of the selected budget holder divisions.

Interviews were also conducted with budget manager of the organization and other managers selected from support and commercial divisions. It was maintained by requesting the interviewee willingness & to give time for the interview, conducting the interview and by adding supplementary questions based on their response for the response that need clarity

3.3. Sampling Technique and Sample Size

The purpose of needed sampling is to select sample representative among the whole respected population, as it is difficult to deal with the whole population since there is limited resources**.** Censes requires more time and capital than sampling method.

Since Ethio telecom is one of the largest government organizations, its service is spread throughout the country. It has wide, and many working units and divisions. Hence, it is not possible to include all budget holders in the sample due to time and cost constraint. As a result, of the fourteen divisions (budget holders) eight divisions selected for the study. These are from Human resource, Finance, TEXA (Telecom Excellence Academy) i.e. The training institute of Ethio telecom, Customer service, Internal Audit, Enterprise, Information System and Sourcing & Facility divisions. By doing so, all the major categories were represented. Also, as the preparation of budget and controlling process is the same in the organization, the offices selected were believed to be represent all the other offices.

After the sample selecting was maintained, two sample size groups of people i.e., the management and employee in each division were the subject to be studied. For the sample size of this study 50% of members were used from different divisions. And, Since, the staffs in budget section are few, ie.9, and they are directly responsible for budgeting activities of the organization, (100%) or all were taken.

To select each respondent, random sampling technique was used. The respondents sample used in the study are classified into budget section workers who are directly responsible for the budget activities of the organization, operation divisions (Operations for expenditure budget handler divisions) namely technical and support units and, commercial divisions (both revenue and operational expenditure budget handler divisions). Hence; a total of Ninety-Two (92) respondents who are concerned part of their activity with their respective divisions budget were used from different categories for the study as illustrated below.

No	Category of Respondents	Numbers	50% sample size
1	Information systems	26	13
2	Enterprise	14	7
3	Customer service	20	10
4	Finance	35	18
5	HR	22	11
6	Sourcing and facility	20	10
7	Internal Audit	7	4
8	TEXA	8	4
	Sub total	152	77
	Budget manager		1
	selected Managers from support and commercial divisions:		
	Finance Division Managers		2
	TEXA Division Manager		1
	Commercial Division Managers		2
	Budget section staffs	9 staffs	100%=9
	Total		92

Table - 2: The population size of the research

3.4. Types of Data and Data Collection Methods

Based on the study objective, the study was formulated to contain questionaries' and interview. The questionnaires were based on close ended questions and, distributed & filled by budget section, technical, commercial and support divisions staffs including accountants, account specialists & supervisors, who are under budget holder divisions staffs. Moreover, interview questions were used with budget manager of the organization and other managers selected from support and commercial divisions to increase clear data which could not be clarified in the structured questionnaires. In addition, to reason out the respondents' disagreement or agreement objective questions for some questions of the questionnaires were also included.

Data was collected by giving every sample individual the questionnaire in hard copies. It was distributed to budget section, technical, commercial and support divisions staffs including supervisors, specialists, accountants and personnel of the selected budget holder divisions. The purpose for choosing questionnaires is that it is less costly, convenient and not biased.

Interviews were also conducted with budget manager of the organization and other managers selected from support and commercial divisions to acquire adequate and accurate information that needs clarification and not be achieved through other techniques from persons who have the main data collection tool. It was maintained by requesting the interviewee willingness & to give time for the interview, conducting the interview and by adding supplementary questions based on their response for the response that need clarity.

The data type acquired from the interview and structured questionnaire were primary. And, the collection of data using questionnaire are reliable & efficient since they are nameless, honest, inexpensive in terms of time and money, offers the opportunity of standardizing and comparing scales, consistent i.e., little scope for bias, quick like it can be mailed, and allows the nameless of the data sources to be preserve.

The responses of questionnaire were designed to give the needed data which was embraced into: Strongly disagree, disagree, neutral, agree, and strongly agree. The questionnaires were arranged under budget preparation, allocation, its linkage with strategic plan, reporting, variance analysis and performance measurement. And the interview focuses on evaluating budgeting &

performance, particularly budgeting for training and performance evaluation adopted in ET HO finance division & other related and vital issues.

3.5. Data Analysis

The study employs a descriptive analysis of the data. In doing so; to evaluate the organization's actual practice the researcher hence, had used or maintained the literatures on budget as a benchmark.

The analysis of data for questionnaire were made by summarizing the collected raw fact (data) first and presenting using frequency tables. And percentages were computed from the frequency table. Qualitative data analysis method for interview results was also employed by examining the obtained interview feedbacks against standards, facts and logic (reason) about budgeting activity and performance evaluation.

CHAPTER FOUR - DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter maintains with the presentation, analysis and interpretation of the data collected using questionnaire and interview systems about budgeting for training and performance evaluation of ET HO finance division. The data is presented and analyzed based on the budgetary process flow starting from planning and preparation of budget next to implementation of budget, reporting and variance (change) analysis, and finally performance measurement and reward system. Hence, the data collected using both systems is presented, analyzed and interpreted as shown below.

4.2. Demographic characteristics of the respondents

Table-3: Gender, age, education status and service year distribution of the respondents

Demographic Information	Classification	Frequency	Percentage
Gender	Male	59	68.6%
	Female	27	31.4%
	Total	86	100%
Age Group	18-25	0	0%
	26-40	60	69.8%
	41-50	25	29.1%
	51-60	1	1.2%
	Total	86	100%
Education Status	Diploma	0	0%
	Degree	66	76.7%
	Postgraduate & above	20	23.3%
	Total	86	100%
Service Year	Below 1 Year	0	0%
	1 - 3 years	0	0%
	4 - 6 years	19	22.1%
	7 years and above	67	77.9%
	Total	86	100%

Source: respondents' outcomes and own computations, 2019

The table shown above summarized four demographic features, of which, from the total number of respondents 68.6% were males and 31.4% were females.

Regarding the age of the respondents 69.8% are between the age of 26-40 whereas, 29.1% are between the age of 41-50. Only 1.2% or one employee pointed between 51-60 age group. In general, 69.8% of the employees cumulated below 41 years old, that means the organization highly composed with employees of energetic and productive age groups.

When we see the educational level, 76.7% of the respondents were degree holders and 23.3% of the respondents were post graduate & above. This shows that the company employees' profile mainly covered by good education background.

As far as the number of years the respondents worked with the organizations is concerned, there are no respondents who were less than four year, 22.1% were four to six years and 77.9% were seven years and above. This tells that the company has well experienced employees that can contribute a lot to meet its objectives. The researcher from the above demographic features result also enables to have the needed data from a reasonable (matured), qualified and well experienced employees of the company.

4.3 Plan and budget preparation

Table-4: Technical, commercial and support division's staff response rate on plan and budget preparation

Questions in brief	SD	D	N	A	SA
Linkage of budget holders/users budget with strategic plan	15(19.5%)	45(58.4%)	6(7.8%)	11(14.3%)	0(0%)
Participation on budgeting for training	15(19.5%)	40(51.9%)	6(7.8%)	12(15.6%)	4(5.2%)
Allocation of training budget based on the volume of activities	20(26%)	30(39%)	8(10.4%)	3(3.9%)	16(20.8%)
Budget reduction without negotiation	3(3.9%)	9(11.7%)	9(11.7%)	30(39%)	26(33.8%)
Rationality of training budget approval process	5(6.5%)	12(15.6%)	26(33.8%)	26(33.8%)	8(10.4%)

Source: respondents' outcomes and own computations, 2019

Table-5: Technical, commercial and support division's staff response rate on reasons for disagreement of linkage of budget with strategic plan

Questions in brief	Strategic plan is not communicated	Strategic plan is not in financial plan	Budget does not follow strategic plan	Other reasons
Reasons for disagreement of linkage of budget holders/users' budget with strategic plan	40(66.7%)	7(11.6%)	13(21.7%)	0(0%)

Source: respondents' outcomes and own computations, 2019

Table-6: Technical, commercial and support division's staff response rate on reasons for disagreement of Participation on budgeting

Questions in brief	Top management amends budget without negotiation	Company budget is determined by top management	Other reasons
Reasons for disagreement of participation on budgeting	55(100%)	0(0%)	0(0%)

Source: respondents' outcomes and own computations, 2019

Table-7: Technical, Commercial and Support division's staff response rate on reasons for disagreement of budget based on the volume of activities

Questions in brief	There has no any budget deriver	Budget for some department is low	Budget for some department is exaggerated	Other reasons
Reasons for disagreement of budget based on the volume of activities	0(0%)	11(22%)	39(78%)	0(0%)

Source: respondents' outcomes and own computations, 2019

As indicated on the above table 4, from the total number of 77 respondents, 19.5% were strongly disagree, 58.4% disagree, 14.3% agree and no respondent of strongly agree for question that training budget is linked or related with strategic plan of the organization. Respondents who disagree on this issue reasoned out that the organizations' strategic plan is not successfully communicated to lower level managers and staffs as the strategic document or evidence would have been considered or used as a reference while they do or prepare their annual budget. The interview result obtained from the budget manager indicates that there is a 5-year strategic plan in general. However, while preparing the annual budget, the strategic plan has not been considered. That is, between strategic plan and budget there is no integration indicating that the annual budget is not originated from the strategic plan. Regarding to the agreed respondents on the existence of training budget linkage with strategic plan of the organization, the researcher believes that they completed the question inconsistently or they were denying the fact. This is because of the reason that the budget manager who is responsible directly to control and manage the overall budget activities of the organization disqualified their perception or insight on integration of strategic plan and budget. If the budget were originated from the strategic plan of the organization, there would be linkage between the two.

The above analysis result indicates that the strategic plan document in ET is not fully used as a reference and is not communicated to budget holders while the budget is prepared. Hence, there is no linkage between training budget for finance division and strategic plan of the organization.

In relation to participation of budgeting for training, a significant number of respondents, fifty five out of seventy-seven, i.e. 71.4% disagreed (19.5% strongly disagree and 51.9% disagree) that preparation of budget for training in divisions/departments/sections is maintained without the full participation of employees & managers at all levels. In the reason for their disagreement, many of the respondents justified that although each department/section budget is prepared by lower level managers/staffs, the amount is modified by the top management without consulting them. Additionally, respondents agree that including training budget, budget approval is not rational among budget holders or the various working units. And, as allocated of budget for some departments/sections are exaggerated highly and unreasonably low for some other departments/sections, training and other operational budget is not based on the volume of activities.

On the other hand, for the question about the top management following or using the practice of reducing or dropping the proposed budget without (with lack of) negotiation with lower level managers,72.8% of the respondents agreed (confirmed) that the top management is dropping or reducing the budget without any negotiating with them. The result of interview also shows that even if they have been participated at the beginning or early stage of budget preparation process, the budget amount they prepared and presented is less acceptable by the top management. The main reason or case given by the top management for the reduction of the budget is not acceptable and rational. The interviewee responded or justified that the top management is doing this with thinking or the assumption that the budget amount requested is highly exaggerated. The justification or response also confirmed that the budget reduction decision made by the top management without having any acceptable justification encourages or initiates budget holders to submit or present in subsequent budget years a highly exaggerated budget. The reason for this is, since the top management, responsible for budget approval, sets or allocates budget by reducing or deducting some percentage from the initial original request. If actual demand without overestimation is submitted by budget holders, the budget amount approved for that year will be less than with that of expected.

According to the budget manager reply, budgeting approach in ET is bottom-up and must be prepared with lower level managers full participation. But, because of attitude problems, there are some divisions heads who do not made to involve their section managers to join or participate in budget preparation. These individuals are doing this since they have not given proper consideration for budget preparation. As to budget deduction or reduction by the top management, it is confirmed by the respondent that the budget is reduced without negotiation by top management on account of the following reasons. In most cases the budget prepared & submitted from users lacks proper explanation or justification and because of this reason the top management thinks (assumes) that it is highly exaggerated (overstated). For question the reason why budget holders could not prepare and submit proper budget and acceptable explanation (justification) for their figures, the respondent replayed or confirmed that they have limitations in preparation of a budget, timely submissions of requests of budget, and on the assumptions validity taken in preparing the annual budget.

Therefore, the analysis mentioned above shows that the lower level managers & employees in finance division and other budget holders too, are not participating at the required level. The process seems participatory at the beginning or initial stage of budget preparation, because lower level managers prepare (made) and submit their annual requirement or need as they have the knowledge to be conducted for the activities and for which the budget is maintained or allocated in their respective units/section. However, the top management has been deducting or reducing the budget amount without negotiation and, or without requiring them to provide adequate justification for the budget they submitted.

Table-8: Budget section staffs response rate on plan and preparation of budget

Questions in brief	Strongly disagrees	Disagree	Neutral	Agree	Strongly agree.
Interaction during budget preparation.	0(0%)	1(11.1%)	5(55.6%)	2(22.2%)	1(11.1%)
Linkage of budget with strategic plan	0(0%)	1(11.1%)	4(44.4%)	2(22.2%)	2(22.2%)
Negotiation power of divisions.	0(0%)	1(11.1%)	2(22.2%)	4(44.4%)	2(22.2%)
Budget submission without plan.	1(11.1%)	1(11.1%)	4(44.4%)	2(22.2%)	1(11.1%)
Frequency or rate of budget request by divisions.	0(0%)	2(22.2%)	1(11.1%)	4(44.4%)	2(22.2%)
The power to establish budget slacks by divisions.	1(11.1%)	1(11.1%)	1(11.1%)	5(55.6%)	1(11.1%)
Rationality of training budget approval process.	2(22.2%)	1(11.1%)	4(44.4%)	2(22.2%)	0(0%)

Source: respondents' outcomes and own computations, 2019

As indicated on table-8, the degree of interaction between lower level managers/staffs and top management during budget preparation (formulation) process, majority of the budget section staff's respondents showed their neutrality 55.6% followed by having agreed 22.2%. However, the disagreed staff's status became in contradiction with the managers/staff's response from technical, commercial and support division's for similar question. As indicated above for the same question (request) that the top management is not communicating or consulting the lower level managers while it deducts or reduces the budget, most of the respondents gave their confirmatory answers. The lower level managers have not given the chance by the top management to discuss on the final amount of budget to be approved. As a result, the amount of budget might get the chance of being understated or overstated. Therefore, the researcher believes that the staffs from the budget section who were agree on the statement above answered the question arbitrarily (subjectively) or without knowing the real condition (situation) across the organization as they are more focusing or concentrating on the control part of budgetary process.

On the other hand, respondents from the budget section agree that training budget for HO finance as the same as the other budget is related or linked with strategic plan, but we can see from table-4 that most of the respondents i.e. (77.9%) of technical, commercial and support staff are not agree with this. Reason out that, strategic plan is not successfully communicated to them, from this the researcher believe that there is a discrepancy between the two because the strategic plan is not successfully communicated to budget holders and as per the budget manager response even if there is a 5-year strategic plan in general, the strategic plan has not been considered while preparing the annual budget.

Although there are 44.4% respondents of neutral, a reasonable number of budget section staffs 33.3% indicated their agreement that there is a practice of budget submission by budget holders/users without plan. On the other hand, as it is indicated from the analysis of table-4 it was confirmed that there is no linkage or integration between strategic plan and budget of the organization. If there is no integration or linkage between the two, the annual activities plan for which the budget is formed or allocated is not originated from the strategic plan. Therefore, there could not be consistent plan for which the budget holders/users can be questioned (asked) for the budget they submitted.

Regarding to question which compare operational (technical plus commercial) and Support divisions, majority of the respondents provide confirmatory replies. They responded that technical and commercial divisions have greater negotiating power (influence) with the management in setting or forming budget targets and to establish or create budget slacks than support divisions can do.

In relation to budget revision many of them did also confirm (support) that operational divisions usually demand or request supplementary or additional budgets repeatedly throughout the year or budget year than support divisions. Technical and commercial units in ET commonly called operation divisions, they are responsible to provide telecom service to customers or clients and for the public. And, they are also considered highly important to the company. On the other hand, the support divisions are facilitators or supporters for operational divisions, and less consideration or attention have given them. It is because of this reason might be that the operational divisions have got more attention and strong power during preparation of budget and revision than support divisions.

For the question that the rationality of training budget approval process is not rational, because of the reason that resource is not fairly allocated based on budget holder's volume of work, respondents of 22.2% were strongly disagree, 11.1% were disagree, and 22.2% were agree.

From this, even if most of the respondents were support or confirmed that the process of budget approval is rational, 22.2% agreed (support) on the subsistence of the problem.

As illustrated above the top management has been deducting or reducing the budget without communication or negotiation with budget holders and hence, budget of some units is highly understated, and for some others is highly exaggerated. From the above given responses, in ET there is a problem in the allocation of budget rationally based on volume of activities.

Over all, it can see from the above responses that HO finance division has a problem in budget submission without plan. On the other hand, the division has got a problem in interaction between lower level management and top-level management during budget preparation process, in allocation of budget, in linkage of training budget against strategic plan and has less consideration and negotiation power than operational division.

4.4 Budget implementation

Table-9: Budget section staffs response rate on implementation of budget

Questions in brief	Strongly disagrees	Disagree	Neutral	Agree	Strongly agree.
Budget utilization based on annual plan	3(33.3%)	0(0%)	3(33.3%)	3(33.3%)	0(0%)
Spending without budget	0(0%)	2(22.2%)	2(22.2%)	0(0%)	5(55.6%)
Over Spending of budget	0(0%)	2(22.2%)	2(22.2%)	4(44.4%)	1(11.1%)

Source: respondents' outcomes and own computations, 2019

As indicated on table 9 above, many of respondents showed their disagreement i.e. (33.3%) strongly disagree on the view that budget holders/ users utilize or used the approved budget based on the annual corresponding plan of activities.

Regarding to question that there is a tendency or practice by budget holders spending for activities which are not involved or included in the ET approved budget, 55.6% of them were strongly agree and 22.2% were disagree.

For question there is a tendency or practice by budget holders in overspending above the approved budget; a great number of respondents provide confirmatory answers, 44.4% agreed, and 22.2% disagreed. All the analysis of the above table, therefore, shows there is problem of budget consumption or utilization in HO finance division and in the organization too.

Table-10: Technical, commercial and support divisions staff response rate on budget implementation

Questions in brief	Strongly disagrees	Disagree	Neutral	Agree	Strongly agree.
Revision of budget and approval process	13(16.9%)	51 (66.2%)	8(10.4%)	3(3.9%)	2 (2.6%)
Budget revision throughout the year	2(2.6%)	10(13%)	8(10.4%)	52 (67.5%)	5(6.5%)
Managements' attention on budget utilization	6(7.8%)	13(16.9%)	4(5.2%)	41(53.2%)	13(16.9%)

Source: respondents' outcomes and own computations, 2019

Table-11: Technical, commercial and support divisions staff response rate on interval period for agreement of budget revision

Questions in brief	Every month	Quarterly	Every Six months	Rarely	When top management instructs	Not applicable
Interval period for agreement of budget revision	0(0%)	16(20.8%)	41(53.2%)	0(0%)	0(0%)	20(26%)

Source: respondents' outcomes and own computations, 2019

From the above table, it is indicated that most of the respondents disagree on the existence of constant or continuous periodic budget revision (modification) and approval process practice in the organization. But most of the respondents are agree that there is a budget revision in the organization every Six months. The budget manager in this issue replay that there is a budget revision in the organization quarterly. Hence, the researcher concluded that the difference between the two may be because of that even if budget holders request additional budget, most of the time the request is not accepted or rejected.

As to top management's attention on budget utilization, most of the respondents confirmed that the utilization of budget within the approved budget and timetable scope is required by the top management while the lower level management concentrates or focuses on achieving activity plans regardless of the amount how much is utilized.

Hence, from this it can see that there is a problem in the existence of continuous periodic budget revision and approval process in ET, and there is a difference between top management and lower level management/staff in the attention given to budget utilization.

4.5 Budget report and variance analysis

Table-12: Budget section staffs response rate on budget report and variance analysis

Questions in brief	Strongly disagrees	Disagree	Neutral	Agree	Strongly agree.
Investigating training budget variance factors	0(0%)	0(0%)	3(33.3%)	6(66.7%)	0(0%)
The attention of management on over spending	0(0%)	2(22.2%)	1(11.1%)	2(22.2%)	4(44.4%)
Adequacy of performance report	2(22.2%)	4(44.4%)	1(11.1%)	2(22.2%)	0(0%)
Appropriateness of budget variance explanation	4(44.4%)	2(22.2%)	2(22.2%)	1(11.1%)	0(0%)
Efficiency and effectiveness of budget controlling	5(55.6%)	1(11.1%)	2(22.2%)	1(11.1%)	0(0%)
Management of financial resources	2(22.2%)	4(44.4%)	2(22.2%)	1(11.1%)	0(0%)

Source: respondents' outcomes and own computations, 2019

As shown on table-12 above, the analysis indicated that the management attention on budget variance, majority, i.e. 66.6% (44.4% strongly agree and 22.2% agree) of the budget section staffs confirmed (supported) that overspending of expenses gets management's attention than under spending. And they also agree that, factors leading to training budget variance are investigated and control measure taken.

As to periodic budget report and analysis of difference or variance, the above table result also shows that most of the budget section staffs supported or confirmed on the presence of limited or inadequate periodic performance reports, submitted by budget holders since it is not complete and adequate to evaluate or asses their performance, and the justification or explanation on budget variance or difference line-by-line basis (base) periodically is not sufficiently detailed to identify the cause or reason, and to take corrective action accordingly.

Regarding the efficiency and effectiveness of budget holders on monitoring or controlling their budget, budget staffs were rating 66.7% ,11.1%, disagree and agree, respectively.

But the response or replay on the question that ET is not handling or managing its financial properties (resources) resulting from poor or weak budget formulation and monitoring (controlling) process, most of the respondents showed (indicated) their disagreement.

The researcher believes from this, that the respondents who were disagree from budget section on this issue were biased or not fair on the assumption that they are responsible for majority of the problem.

The researcher overall, believes that an organization cannot be strong & reliable in budget formulation, monitoring and controlling without being participatory in preparation of budget, without having appropriate budget report which contain and can show budget and actual achievement (performance) or the variance (change) in detail, without examining or analyzing the variance (change) line by line, and, above all, without knowing or identifying the responsible or accountable unit manager for the variance (difference) and without taking necessary or appropriate action based on the report.

Table-13: Technical, commercial and support divisions staff response rate on budget report and variance analysis

Questions in brief	Strongly disagrees	Disagree	Neutral	Agree	Strongly agree.
Periodic performance report	9(11.7%)	14(18.2%)	37(48.1%)	3(3.9%)	14(18.2%)
Budget and actual utilization comparison	8(10.4%)	33(42.9%)	4(5.2%)	26(33.8%)	6(7.8%)
Investigating budget variances factors	22(28.6%)	31(40.3 %)	5(6.5%)	14(18.2%)	5(6.5%)
Management's attention on overspending of training budget	7(9.1%)	19(24.7 %)	1(1.3%)	31(40.3%)	19(24.7%)
Identifying of responsible manager for each variance	20(26%)	28(36.4%)	13(16.9%)	13(16.9%)	3(3.9%)
Action based on budget performance	19(24.7%)	31(40.3%)	6(7.8%)	16(20.8%)	5(6.5%)
Explaining budget variances	22(28.6%)	31(40.3%)	4(5.2%)	16(20.8%)	4(5.2%)
Unfavorable achievement because of understatement of budget	4(5.2%)	12(15.6%)	15(19.5%)	27(35.1%)	19(24.7%)

Source: respondents' outcomes and own computations, 2019

Table-14: Technical, commercial and support divisions staff response rate on the reason for available budget achievement

Questions in brief	Some activities were not done	The budget was highly exaggerated	You were efficient	Other reasons
The reason for the last 2 years available budget achievement	35(45.5%)	24(31.2%)	4(5.2%)	14(18.2%)

Source: respondents' outcomes and own computations, 2019

Table-13 above revealed that, 29.9% of the respondents disagreed for the existence of periodic performance report in their division. However, most of the respondents i.e. 48.1% are neutral and 22.1% agree in this issue. It was presented the same question, through interview, to the organization's budget manager and responded that though the report is not complete, consistent and timely, periodic performance report has been made (prepared) and submitted, by budget holders monthly. The researcher from this, believes that disagreed respondents on the presence (existence) of periodic report may not participate or involve in reporting or their divisions/sections are not preparing or doing the report at all or else they replied in a biased manner.

As to the periodic report content, more than half of the respondents respond that the report does not show budget and actual utilization comparison, and the variance (change) accordingly.

For the question factors leading to training budget variances are investigated (studied), and control measures taken, 40.3 % and 18.2% were disagree and agree respectively.

In relation to the management attention on overspending of training budget, a great number of respondents 65% confirmed that over spending of training budget gets more attention or consideration from the management than under (below) spending.

Furthermore, whether identification or finding of each variance with each manager responsible or in charge for it is possible or not, the study or analysis presented that a respondent of significant number (62.4%) showed their disagreement. The result of interview also shows the same result.

Additionally, as per the data presented on table-14, majorities (65%) of the respondents confirmed (support) that appropriate action or measure has not been taken based on (using) the evaluation of budget performance result followed by 27.3% are agreed (confirmed) on the view presented to them.

The study also showed that a great number (68.9%) of respondents confirm that managers are not needed (required) to clarify or explain about budget variances in detail on a line-by-line basis.

Furthermore, respondents confirmed that their accomplishment was unfavorable on their budget because of that the budget was highly understated. On the other hand, most of the respondents

believe that it is because some activities were not done and for some the budget is exaggerated highly if their budget is accomplished.

The above table overall analysis shows that, the response rate to each question indicates the presence of serious weakness on reporting budget and variance analysis. Even if budget report is periodically prepared and submitted by budget holders, it does not show the comparison of amount budgeted and actual utilization, and the variances (changes) accordingly. Moreover, each unit/section manager is not needed or required to explain about budget variances in detail on a line by-line basis (base) periodically throughout the year or the budget year for his respective section /unit. As a result, it is not possible to find or identify each variance (change) with responsible individual section manager for the variance.

Factors leading to training budget variances also are not investigated and control actions or measures are not taken. Also, appropriate measure is not taken based on evaluation of budget performance and it is considered accomplishment of budget is unfavorable because of the budget highly understated. In addition, management give more attention to overspending of training budget but not for underutilization. So, all the problems shown above hence, are the other reasons that became factors that influence the division’s (i.e. Finance division) training budget.

4.6 Performance Measurement of Managers/Staffs

Table-15: Technical, commercial and support divisions staff response rate on performance measurement

Questions in brief	Strongly disagree	Disagree	Neutral	Agree	Strongly agree.
Linkage of performance evaluation and budget performance	6(7.8%)	27(35.1%)	22(28.6%)	19(24.7%)	3(3.9%)
Budget as benchmark for evaluation of performance	26(33.8%)	33(42.9%)	11(14.3%)	6(7.8%)	1(1.3%)
Rewarding based on achievement	19(24.7%)	34(44.2%)	11(14.3%)	9(11.7%)	4(5.2%)
The relationship on Job satisfaction and budget-based performance evaluation	7(9.1%)	14(18.2%)	3(3.9%)	32(41.6%)	21(27.3%)
The impact of inappropriate allocation of budget on motivation	6(7.8%)	7(9.1%)	9(11.7%)	36(46.8%)	19(24.7%)

Source: respondents' outcomes and own computations, 2019

Table-16: Technical, commercial and support divisions staff response rate on reasons for disagreement of budget as benchmark for evaluation

Questions in brief	The budget is exaggerated	There is no participation in budgeting	The budget is low	Other reasons
Reasons for disagreement of budget as benchmark for evaluation	36(61%)	0(0%)	20(34%)	3(5%)

Source: respondents' outcomes and own computations, 2019

As can be seen from the table a great number of respondents disagree for question performance appraisal or evaluation of managers/staffs highly linked or related with budget performance. They confirm that there is no linkage between performance evaluation and budget performance. This can be the reason from the previous response that it may be because of absence of fairness in allocating & approving the budget among the various section/unit of the organization by the top management makes the budget insufficient for one and exaggerated for the other budget holders.

It is indicated from the above table that, majority (76.7%) of the respondents did not agree that including training expense the overall operation expense budget considered as a good benchmark for performance evaluation and success, for which they reasoned out that the budget is highly exaggerated, and some others stated that the budget is unreasonably understated. Most of the respondents also, disagree for performance appraisal of managers/staffs is highly linked with budget performance.

For ET rewarded staffs/managers based on their budget achievement or accomplishment, majority disagreed (24.7% strongly disagree, 44.2% disagree) indicating that ET has not been rewarding staffs/managers based on their budget accomplishment.

In relation to question that "the relationship of budget-based performance assessment or evaluation and job satisfaction, 68.9%, agreed that from the managers' point of view budget-based performance assessment or evaluation and job satisfaction have direct relationships.

In case of question that the impact of inappropriate allocation of budget on motivation, 16.9% disagree, and 71.5% agreed, that the inappropriate budget allocation by the top management has made or created negative impact (effect) on their motivation. This may be because employees feel that they do not have a role in the budgeting process of the organization. Theories of psychological (e.g., Murray,1990) state that the opportunity (chance) given to subordinates through involvement or participation in the process of budgeting can stimulate their initiation (motivation) and commitment with setting-budget-, which in turn improves the subordinates' performance and job satisfaction (Brownell & Melnners, 1986; Kren, 1992). Shields and Shields (1998) also explore that, involvement improve subordinate's belief, sense of control, and ego participation with the firm, which then leads to be commitment to achieve organizational goals and motivated to perform their own functions within budget constraints. If individuals feel that they have a voice in setting the budget targets, they will be motivated to ensure that their departments attain those targets and stay within the budget. If they do not feel that they have a role in the budgeting process, motivation will suffer (Belverd E. Needles, Marian Powers, Susan V. Crosson).

Therefore, this shows that as budget is highly exaggerated in some, and unreasonably understated in the other budget holders, including training expense for the division the overall operation expense budget is not considered as a good benchmark for performance evaluation and success in the organization. On the other hand, ET is not rewarding staffs/managers based on their budget accomplishment. Moreover, there is direct relationship from the managers' point of view, between budget-based performance assessment and job satisfaction. And, the inappropriate budget allocation by the top management has a negative impact (effect) on budget holders/user's motivation.

CHAPTER FIVE- CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

Budgeting is believed to be the bases to attain the long-term mission, vision and objectives of an organization. But most of the time there is a problem in budgeting process and its implementation. So that, there is failure to meet the planned budget and hence the targets. This is also the case in H.O. finance division of ET & the organization.

Though the organization prepares a strategic plan every five year, prepares the annual plan and budget based on the strategic plan, preparation of budget and monitoring process administered effectively and efficiently to accomplish company goals within the given resource limit and management group and the users of budget of Ethio Telecom expected to realize their responsibilities in this regard, the findings of the study shows that there are various problems in the budgeting for training & related budget activity of HO finance division and in the organization in relation to planning and budget preparation, budget implementation, budget reporting and variance analysis, and in relation to performance measurement.

5.2 Conclusions

The main objective of this research as it has been clearly shown in the introduction part, was to analyze, evaluate and examine budgeting for training & its performance of head quarter finance division in Ethio Telecom that need attention and improvement. Hence, the following points concluded by the researcher based on the major findings.

5.2.1 Planning and budget preparation

- The strategic plan of the organization has not been communicated or informed to lower level manager of HO finance division to prepare its training budget in the organization. The budget, therefore, is not originated from the strategic plan of the organization, and as a result there is no systematic or organized linkage between the two.
- Though the budget preparation method or approach in the organization is bottom-up and managers in lower level has been preparing or doing their budget at the early stage, the top management is reducing or deducting the amount without any negotiation with them.

Hence, budget preparation in the division and also in the organization is not fully participatory.

- Since including training budget for HO finance division, the budget prepared by managers in lower level is increased and reduced (deducted) respectively by the management in the top level without requesting or notifying them to provide explanation or justification or without any negotiation, and because of absence or lack of fairness in allocating and approving the budget among the various sections/units of the organization as the amount is unreasonably low for some budget holders and highly exaggerated for some others, the researcher hence, concluded that including HO finance division training budget overall budget allocation process or procedure is not based on volume of activities.
- HO finance division has a problem in budget submission without plan.

5.2.2 Budget implementation

- Although it is also a problem in most of budget holders of the organization, there is problem of budget consumption or utilization in HO finance division. This is because the division is not using the approved or authorized budget based on the activities of annual plan, it is spending for activities or operations which are not included or contained in the annual or yearly plan, and above the budget approved.
- The division has also a problem in lack of continuous periodic budget revision and approval process.

5.2.3 Budget reporting and variance analysis

In relation to Budget reporting and variance analysis,

- Even if the budget preparation approach seems bottom-up, the preparation of budget is not participatory.
- The budget holders periodic budget report prepared is not detail enough in indicating or showing the budget and actual utilization and hence, there is no appropriate or proper budget report in the division and in some other budget holders too.
- It is not possible to find or identify each variance (change) with responsible individual section manager for the variance so, the budget holders report does not show the

responsible unit/section for the variation (difference) and it does not help or assist to take appropriate action.

- Factors leading training budget variances are not investigated (studied) and control measures or actions are taken
- The budget report is not used by the management to take appropriate or corrective action. And, management give more attention to overspending of training budget but not for underutilization.
- Because of all the problems above, though it is also a problem in most of budget holders, the budget control and monitoring system in the division is weak.

5. 2.4 Performance measurement

- Including training budget since allocation of budget among the various units/sections of the organization is not fair and not based on work volume, for performance measurement the budget cannot be used as a standard.
- Since the reward system the organization follow is not aligned with budget performance, budget holders/users are not rewarded based on accomplishment or achievement of their budget.
- The inappropriate allocation of budget and absence of reward scheme or system based on budget accomplishment, highly affect the division and the budget holders/user's motivation in the organization.

5.3 Recommendations

The main intention or aim of this study is to assess the budgeting for training & its performance of head office finance division in Ethio Telecom, identify or find the fundamental causes of management of budget and control or monitoring weaknesses observed in the division and organization and suggest possible recommendations to correct such problems. The following recommendations, therefore, are suggested.

5.3.1 plan and budget preparation

In relation to plan and preparation of budget, the following actions or measures should be taken.

- The organization should communicate or notify the strategic plan to HO finance division and all lower level managers and employees of budget holders/users and it must be sure or certain that adequate or sufficient awareness has been created.
- The budget for training and annual budget should be derived or originated from the organization's strategic plan. To do that, activities of annual plan for which budget is needed to be prepare should be made or prepared from the strategic plan, and the budget should be done or prepared for the implementation of these activities
- Preparation of training and any other organizational budget should be participatory. In doing so the budget should not be reduced by the top management without requesting justification needed from managers in lower level or without negotiation them.
- The budget preparation approach or method can be top bottom in the organization. But the implementation should not be in the strict sense. It should be allowed the lower level managers to prepare their target budget based on the direction given or issued from the top management.
- The organization should design and implement a rational and fair basis of allocation of resource among the various working units.

5.3.2 Budget implementation

In relation to the implementation of budget, the researcher suggested the following recommendations.

- The organization should design or form and implement strong utilization of budget follow up and control system to check whether budget users/holders are using as per approval of their budget. Furthermore, the finance division, not only for itself it is responsible to allocate and control the utilization of budget in the organization, so, the division should not use resources that are not included in the budget. Moreover, the division should correct and regulate the problem that can happen both from top management and budget holders/users of the organization.
- The revision process of budget should be throughout the year and continuous as far as circumstances demand and the forces of market condition the organization to do so.

- Including finance division, on those budget holders expending for activities or operations which are not included or contained in the annual plan, and above the approved limit, appropriate action should be used or taken by the management.

5.3.3 Budget reporting and variance analysis

As to reporting of budget and variance analysis, the organization should take the following measure or actions.

- The organization should design or form and implement a reporting system (method) which can assure completed and adequate report to be submitted from all budget holders.
- The report should show including training budget for every budget line item; the budget, actual performance, variance (change) and the reasons or explanations for the variances accordingly.
- Based on the report, factors or issues leading variations (including training budget variances) should be examined or investigated, the unit responsible for the variation should be known or identified and appropriate action should be taken (made) by the budget holders/management.
- Appropriate system or method should be designed to check and control whether budget holders/users have been preparing and sending in a completed and timely manner their periodical budget report.

5.3.4 Performance measurement

With respect to the measurement of performance, the organization should use achievement of budget as one tool for measurement of performance, and it should start to reward employees/managers based on achievement of their budget. To do so, the budget should be rational, fair, it should be get acceptance (validity) from lower level managers and should be participatory.

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APPENDICES

Appendix 1: Questionnaire to Technical, Commercial and Support divisions

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTER OF BUSINESS ADMINISTRATION

Dear Respondents,

The main purpose of this questionnaire is to gather information about the research title "Assessment of budgeting for training and performance evaluation: The case of Ethio Telecom Head Quarter Finance Division" for the partial fulfillment of the requirement**s** for Master of Business Administration. The outcome of this study will be used for academic purpose only.

Therefore, your genuine response to the questions is vital for the quality and successful completion of the study. The accuracy of the information you provide highly determine the reliability of the study.

General Instructions

This questionnaire contains **2 parts**. Please provide your responses to the question based on the instruction given under each part.

-There is no need of writing your name

Thank you in advance for your time, co-operation and contribution to my study.

Part I: Demographic Information

- Please Mark "X" to provide your appropriate response in the space provided.

1. Gender

Male_______ Female_______

2. Age Group

18-25 Years______ 26-40 Years______ 41-50 Years______ 51-60 Years______

3. Educational Qualification

Diploma_______ Degree_______ Postgraduate & above _______

4. Number of Years Worked in the Organization

Below 1 Year_______ 1 - 3 years_______ 4 - 6 years_______ 7 years and above_______

Part II: Questionnaire to Technical, Commercial and Support divisions.

-Please Indicate the level of agreement which can reflect your best response using mark "X" in the space provided.

-Use a scale of 1-5, where: 1-is strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree.

-For questions that demand your opinion, please try to honestly describe as per the questions on the space provided.

Section A. Budget preparation(formulation), allocation and its linkage (relationship) with strategic plan

S.N	Questionnaire	1	2	3	4	5
1	**Plan and budget preparation**					
1.1	Your budget for training is linked (related) with strategic plan of ET					
1.2	If your answer (response) to the above question is strongly disagree or disagree, what is the reason for this?	__	_	__	__	__

	_____The strategic plan is not successfully communicated to lower level managers /Staffs and that the strategic document (evidence) would have been used (considered) as a reference while preparing (doing) annual budget. _____The strategic plan is not formulated (prepared) based on the ET financial plan. _____The budget is not prepared (formulated) based on strategic plan. Others, please specify_________________________________ --------Not applicable					
1.3	Budget preparation for training in your division/department/ Unit (Section) is made (performed) with full (adequate) participation of Staffs/managers at all Levels.					
1.4	If your answer (response) to the above question is strongly disagree or disagree, what is the reason for your disagreement? _____ Although each department/section budget is prepared by lower level managers/staffs the top management modifies (amends) the amount without consulting them. _____ The total company budget is determined by the top management and is distributed directly among divisions and departments. Others, please specify__________________________________ --------Not applicable	__	_	__	__	__
1.5	Overall training budget allocation to the company's various working units is based on the volume of activities.					
1.6	If your answer (response) to the above question is strongly disagree or disagree, would you explain the reason? _____The company has not any driver of budget allocation. _____ allocated Budget is unreasonably low for some departments/sections.	__	_	__	__	__

	_____ allocated Budget for some departments/sections is exaggerated highly. Others, please specify___________________________________ --------Not applicable					
1.7	The top management is following (using) the practice of reducing or dropping the proposed budget without (with lack of) negotiation with lower level managers					
1.8	The overall, (including training) budget approval process is not rational (balanced) as resource is not allocated or assigned fairly based on budget holders work volume.					

Section B. Budget reporting, variance (difference) analysis and performance measurement

S.N	Questionnaire	1	2	3	4	5
2	**Budget implementation**					
2.1	There is continuous or constant periodic budget modification (revision) and approval process (practice) in your division.					
2.2	There is budget modification (revision) throughout the fiscal or budgeted year in your division.					
2.3	If the answer (response) for the above question is strongly agree or agree, at which interval period the modification (revision) process is made? Every month_____ Quarterly _____ Every six months_____ Rarely_____ Whenever the instruction (order) comes from the top management_____ Not applicable -------	_	_	_	_	_
2.4	The top management requires (needs) the utilization of budget within the approved budget and timetable scope while the lower level management/Staff focuses on accomplishing or achieving activity plans regardless of the amount budgeted.					

3	**Budget reporting and variance analysis**					
3.1	Your division prepares periodic activity or performance reports (e.g. monthly, quarterly, every six months), which compare against the related (corresponding) budget amount.					
3.2	Your division budget report shows budget and actual utilization comparison and the variance (budget less actual expenditure/revenue) accordingly.					
3.3	Factors leading to training budget variances are investigated (studied) and control measures taken.					
3.4	Overspending of training expenses gets more attention **(**consideration) from the management than under (below) spending.					
3.5	It is possible to identify (find) each variance with each section manager who is in charge (responsible) for it.					
3.6	Appropriate major or action has been taken based on the evaluation of budget performance.by your division/department/ Section.					
3.7	Managers are required to clarify (explain) about budget variances in detail on a line-by-line basis frequently throughout the budget year.					
3.8	If your budget accomplishment during the last two budget years (2017 and 2018 G.C) was favorable, i.e. (If your actual expenditure amount is less than your budgeted amount), what was the reason for this? _____Because some activities (tasks) in the annual or yearly plan were not done. _____The budget was highly exaggerated. _____You were efficient in meeting (achieving) activity plans within the approved budget scope. Others, please specify___________________________________ --------Not applicable	_	_	_	_	_

3.9	If your accomplishment was unfavorable i.e. (If your actual expenditure amount is more than your budgeted or allocated amount), it is because of that the budget was understated highly.					
4	**Performance measurement and reward system**					
4.1	Performance appraisal (evaluation) of managers/Staffs is highly linked or related with budget performance.					
4.2	The overall, (including training) expense budget approved is considered as a good benchmark for your success (performance) evaluation (appraisal) throughout the budget year.					
4.3	If your answer (response) to the previous question is disagree or strongly disagree, what is the reason for this? _____The budget is highly exaggerated _____The budget is prepared (done) without your participation _____The budget is unreasonably (Irrationally) understated Others, please specify___________________________________ --------Not applicable	_	_	_	_	_
4.4	ET rewarded managers/Staffs based on their budget accomplishment or achievement.					
4.5	From the managers' point of view budget-based performance evaluation and job satisfaction have direct relationships.					
4.6	The inappropriate allocation (setup) of budget by the top management has made or created negative impact (effect) on your motivation.					

Appendix 2: Questionnaire to Budget section employees

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTER OF BUSINESS ADMINISTRATION

Dear Respondents,

The main purpose of this questionnaire is to gather information about the research title "Assessment of budgeting for training and performance evaluation: The case of Ethio Telecom Head Quarter Finance Division" for the partial fulfillment of the requirement**s** for Master of Business Administration. The outcome of this study will be used for academic purpose only.

Therefore, your genuine response to the questions is vital for the quality and successful completion of the study. The accuracy of the information you provide highly determine the reliability of the study.

General Instructions

This questionnaire contains **2 parts**. Please provide your responses to the question based on the instruction given under each part.

-There is no need of writing your name

Thank you in advance for your time, co-operation and contribution to my study.

Part I: Demographic Information

- Please Mark "X" to provide your appropriate response in the space provided.

1. Gender

Male_______ Female_______

2. Age Group

18-25 Years______ 26-40 Years______ 41-50 Years______ 51-60 Years______

3. Educational Qualification

Diploma_______ Degree_______ Postgraduate & above _______

4. Number of Years Worked in the Organization

Below 1 Year_______ 1 - 3 years_______ 4 - 6 years_______ 7 years and above_______

Part II: Questionnaire to Budget section employees

-Please Indicate the level of agreement which can reflect your best response using mark "X" in the space provided.

-Use a scale of 1-5, where: 1-is strongly disagrees, 2-disagree, 3-neutral, 4-agree and 5-strongly agree.

-For questions that demand your opinion, please try to honestly describe as per the questions on the space provided.

Section A. Budget preparation (formulation), allocation and its linkage (relationship) with strategic plan.

S.N	Questionnaire	1	2	3	4	5
1	**Plan and budget preparation**					
1.1	The interaction or communication between top (higher level) management and lower level managers/staffs during budget preparation (formulation) process is strong.					

1.2	The budget for training (for instance the Budget for HO Finance training) is linked (related)with strategic plan of ET.					
1.3	If your answer (response) to the above question is strongly disagree or disagree, what is the reason for this? _____The budget is not prepared (formulated) based on strategic plan. _____The strategic plan is not successfully communicated to lower level managers /Staffs and that the strategic document (evidence) would have been used (considered) as a reference while preparing (doing) annual budget. _____The strategic plan is not formulated (prepared) based on the ET financial plan. Others, please specify_________________________________ --------Not applicable	__	__	__	__	__
1.4	Technical and Commercial divisions have greater negotiating power (influence) with the management in setting (formulating) budget targets (plans) than general support divisions.					
1.5	There is a tendency or practice of budget submission by budget holders/users without plan.					
1.6	Operational divisions usually request supplementary or additional budgets repeatedly (Continually) throughout the year (budget year) than support divisions.					
1.7	Operational divisions have greater power or influence to establish budget slacks than (unlike) support divisions can do.					
1.8	The overall, (including training) budget approval process is not rational (balanced) as resource is not allocated or assigned fairly based on budget holders work volume.					

Section B. Budget reporting, variance (difference) analysis and performance measurement

S.N	Questionnaire	1	2	3	4	5
2	**Budget implementation**					
2.1	Budget holders /users utilize the approved budget based on the annual plan of activities.					
2.2	There is a practice of spending (outlay) by budget holders for activities (events) which are not included in the authorized or approved budget of ET.					
2.3	There is a practice or a tendency of overspending by budget users/holders above the approved budget.					
3	**Budget reporting and variance analysis**					
3.1	Factors leading to training budget variances (Like/For instance Ho training budget variance) are investigated (studied) and control measures taken.					
3.2	Overspending of expenses and costs gets more attention or consideration by the management than under (below) spending.					
3.3	The periodic performance or activity reports (e.g. monthly, quarterly, every six months), prepared and submitted by budget users/holders is adequate and complete to asses (evaluate) their performance.					
3.4	The periodic explanation on budget variance (difference) line-by-line basis is detail enough to identify (find) the cause or the reason and to take appropriate action accordingly					
3.5	Budget holders are controlling or monitoring their budget efficiently and effectively as per the approved budget.					
3.6	ET is not managing its financial properties (resources) resulting from poor or weak budget formulation and monitoring (controlling) process.					

Appendix 3: Interview questions to Budget section manager

The purpose of this interview is to evaluate budgeting & performance, particularly budgeting for training and performance evaluation of ET head office finance division

1. Does ET have a strategic i.e., five year or more plan?

2. Is the strategic plan (five year or more) of the company considered while formulating or preparing annual budget? (Like/for instance to prepare the Budget for training to HO Finance?)

3. Strategic planning and budgeting should have integrated each other. Strategic planning basically prepared prior to budgeting, whereas each year budget must originate from strategic plan of the company (organization). Are these logics consistently functional or applied in ET?

4. What are the main objectives or aims of preparing ET budget?

5. What is the basis for setting (formulating) budget of ET?

6. Are operational and administrative (including training) budgets prepared differently or at the same basis of assumptions?

7. Is there a budget committee in ET? Who are the members of the committee, If so?

8. What type of budgeting is ET using (i.e., incremental, zero-based, etc.)?

9. Which type of budget preparation (formulation) is the usual practice in ET (i.e., fixed, flexible, etc.)? Is it consistently applied or practical from year to year?

10. Is there budget manual or guideline in ET? If there is, have you informed (communicated) to budget holders?

11. Does budgeting for revenue follow a top down, bottom up procedure or both? how it's applied if both?

12. Does administrative (support divisions) forecast or budgeting follows a top down, bottom up procedure or both? how it's applied if both?

13. Does the assumptions base for revenue (income) budget preparation different from that of operational expenditure budgets?

14. Why is the top management reducing or deducting the budget proposed by budget users/holders without consulting them?

15. Have you communicated the authorized or approved budget on time to budget users/holders? what is the reason, if not?

16. Why budget holders/users could not submit appropriate or proper budget and acceptable (adequate) justification for their figures?

17. Why some divisions do not participate their sections during budget preparation?

18. Is there a budget revision (modification)? When is this happens or occurs and how is the procedure, if there is?

19. Are budget transfers (from one budget line to another or from division to division) or amendments allowed? what is the procedure for approval, if allowed? Is the procedure the same for both operational and administrative expenditures?

20. Can each budget holder submit additional budget request if there are unexpected or unforeseen circumstances (conditions) through time? Is it the same (similar) for both operational and administrative expenditures?

21. Is there periodical report prepared (maintained) and submitted by budget holders?

22. What is the periodicity (period) of budget report (from budget users/holders) in ET monthly, quarterly, semiannually?

23. How are the results of difference or variance analysis used?

24. How are factors leading to training budget variances (like/for instance Ho finance division training budget variance) investigated (studied) and control measures taken?

25. How the adverse variance (difference) is evaluated by administrative and operational divisions. Is it treated equally or not?

26. When is variance analysis for revenue (income), operational and administrative maintained or prepared? For which one is more emphasis given?

27. Why some divisions are not providing or submitting completed budget report (statement) which shows budget, actual and the variance?

28. What is the main function or activity of budget control sections (units) established in the company some key divisions? Is there any overlap of responsibilities between these sections and the budget section? Why is not that resolved, if overlaps exist?

29. Is the budget section (unit) structured at the head quarter (HO) adequate to manage all the issues of budget for the whole organization? why, if not?

30. At which period interval the performance evaluation is made or conducted at various (different) managerial levels?

31. Is there any follow up / checks from finance division to ensure that appropriate (proper) action has been undertaken?

32. What should be improved or done to make ET budgetary control system more effective and useful?

Appendix 4: Interview questions to managers in commercial and support divisions

The purpose of this interview is to evaluate budgeting & performance, particularly budgeting for training and performance evaluation of ET head office finance division

1. Does ET have a strategic i.e., five year or more plan?

2. Is the strategic plan (five year more) of the company considered while formulating or preparing annual budget? (like/for instance to prepare the budget for training to HO finance?)

3. Strategic planning and budgeting should have integrated each other. Strategic planning basically prepared prior to budgeting, whereas each year budget must originate from strategic plan of the company (organization). Are these logics consistently functional or applied in ET?

4. What are the main objectives or aims of preparing ET budget?

5. Have you been issued with any budget manual or guidance in respect of setting budget, budget monitoring or control?

6. Do you receive approved budget (including training budget) before start of fiscal year (i.e., before July 1 G.C.)?

7. Does your budgeting follow a bottom up or top down procedure or both? How it's applied if both?

8. To what extent is your budget forecast or proposal accepted & approved regarding (related to) operating & administrative (including training) budgets?

9. Why is the top management reducing or deducting your budget proposal (forecast) without negotiation?

10. Are you convinced with given reasons to reduce or deduct your section's budget level?

11. Is there a budget revision (modification)? When is this happen or occur and how is the procedure, if there is?

12. Can you submit additional budget request if there are unexpected or unforeseen circumstances (conditions) through time?

13. How are the results of difference or variance analysis used?

14. How are Factors leading to training budget variances investigated (studied) and control measures taken?

15. What effect (consequence) will have in the future the practice of reducing or deducting the budget by the top management without negotiation?

16. Do you undertake (maintain) staff meeting regarding or about budget preparation, implementation, controls (monitoring) and budgetary position review?

17. Do you use budget as a measurement tool of performance in your section? How is budget used as a measurement tool of performance in your section, if so?

18. At which period interval the performance evaluation is made or conducted at various (different) managerial levels?

19. Is there any follow up / check from finance division to ensure that appropriate (proper) action has been taken?

20. What is your feeling (reaction) about ET's budgeting practice

21. What should be improved or done to make ET budgetary control system more effective and useful?