

A Journey through Management Accounting Change by the Implementation of Strategic Budgeting: A Case study

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Abstract

Traditional budgeting has been subjected to criticism by academics and practitioners, amid claims that it is not aligned to the requirements of the modern business environment. Within this milieu, there are also arguments for abolishing traditional budgeting. More evidently, despite criticism, many organisations still continue to use budgetary controls, typically in an improved form. Drawing evidence from the ACE, a finance company operating in Sri Lanka, this paper explores the firm's motives for moving to a strategic budgeting system; as well as the features of the strategic budgeting system, and its implications. It adopts a qualitative methodology and single case study approach, while leaning on the Cobb et al. (1995) model when making sense of the data. The paper focuses on two research questions, (1) Why did the ACE move towards a strategic budgeting system? (2) What are the features of the strategic budgeting system, and what implications did it have on the firm? Although budgeting is a much-researched topic, there is limited understanding in the current literature on how organisations have improved traditional budgeting in response to the changing business environment, while aligning to organisational strategies based on their own circumstances. Our paper contributes to the current body of knowledge by filling this apparent gap in the literature. It also extends the Cobb et al. (1995) model by sub-categorising catalysts into people and processes, and offers learning points to practitioners on linking budgeting to strategy.

Keywords: Traditional budgeting, Strategic budgeting, Qualitative methodology, Single case study, Cobb et al. (1995) model.

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