BUDGET MANAGEMENT KEY TO SUCCESS IN SMEs

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Abstract:
Budgets are a compass and guiding light for businesses. Therefore, management and owners of small and medium-sized enterprises (SMEs) must carry out appropriate and accurate capital budgeting activities and methods to ensure the longevity and progress of the business. There is a high risk that SMEs will go bankrupt soon after their creation, and one of the likely causes is a lack of management capacity. Thus, the study aims to evaluate the planning management skills and budget practices of SMEs. Methodology: A quantitative analysis was used as a research method, a descriptive design and an instrument were adopted using the questionnaire with a Likert scale, the data, which were converted into numerical values, were analyzed using a scientific statistical analysis program; with the help of a SPSS software setup. Result: The importance of using budget control techniques due to their impact on raising the financial performance of the organization by controlling the organization’s costs, is to review the differences in the budget, allocate its resources and choose the best investments for the return on capital. Conclusions: The study showed that the highest percentage of ownership of SMEs are sole proprietorships and closely held corporations. Executives are largely unaware of their creditworthiness, the various policies, regulations and programs offered by government entities.

Keywords: Management, Budget, SMEs.

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Resumen
Los presupuestos son una brújula y una luz de guía para las empresas. Por lo tanto, la dirección y los propietarios de pequeñas y medianas empresas (PYMES) deben llevar a cabo actividades y métodos de presupuesto de capital adecuados y precisos para garantizar la longevidad y el progreso del negocio. Existe un alto riesgo de que las PYMES quiebren poco después de su creación, y una de las causas probables es la falta de capacidad de gestión. Así, el estudio tiene como objetivo evaluar las habilidades de gestión de la planificación y las prácticas del presupuesto de las PYMES, Metodología. Se utilizó como método de investigación un análisis cuantitativo, se adoptó un diseño descriptivo y un instrumento mediante el cuestionario con escala de Likert, los datos, que se convirtieron en valores numéricos, se analizaron mediante un programa científico de análisis estadístico; con la ayuda de una configuración del software SPSS. Resultado. La importancia de utilizar técnicas de control presupuestal debido a su impacto en elevar el desempeño financiero de la organización al controlar los costos de la organización, es revisar las diferencias en el presupuesto, asignar sus recursos y elegir las mejores inversiones para el retorno del capital. Conclusiones. El estudio demostró que el mayor porcentaje de propiedad de las PYMES son empresas unipersonales y corporaciones cerradas. Los ejecutivos en gran medida no son conscientes de su solvencia crediticia, de las diversas políticas, normas y programas ofrecidos por los entes gubernamentales.

Palabras Clave: Gestión, Presupuesto, PYMES,

PISTA DE SUCESSO DE GESTÃO ORÇAMENTAL NAS PME

Resumo:
Os orçamentos são uma bússola e um guia para as empresas. Portanto, a gestão e os proprietários de pequenas e médias empresas (PME) devem realizar atividades e métodos de orçamentação de capital adequados e precisos para garantir a longevidade e o progresso do negócio. Existe um elevado risco de as PME entrarem em falência logo após a sua criação, e uma das causas prováveis é a falta de capacidade de gestão. Assim, o estudo tem como objetivo avaliar as competências de gestão do planejamento e as práticas orçamentárias das PMEs, Metodologia. Utilizou-se como método de pesquisa a análise quantitativa, adotou-se um desenho descritivo e um instrumento utilizando o questionário com escala Likert, os dados, que foram convertidos em valores numéricos, foram analisados por meio de um programa de análise estatística científica; com a ajuda de uma configuração de software SPSS. Resultado. A importância da utilização de técnicas de controle orçamentário devido ao seu impacto na elevação do desempenho financeiro da organização através do controle dos custos da organização, é rever as diferenças no orçamento, alocar seus recursos e escolher os melhores investimentos para o retorno do capital. Conclusões. O estudo mostrou que a maior percentagem de propriedade das PME são empresas individuais e empresas de capital fechado. Os executivos desconhecem em grande parte a sua solvabilidade e as diversas políticas, regulamentos e programas oferecidos pelas entidades governamentais.

Palavras-chave: Gestão, Orçamento, PME,
1. INTRODUCTION

Medium and small enterprises (SMEs) carry out a crucial activity for promoting innovation, creating jobs and reducing unemployment and divergence of inputs (Dzomonda & Fatoki, 2019). Additionally, a factor that contributes to the low unemployment rates and progressive economic growth of many modernized countries is the participation of SMEs (Awad-Warrad, 2018). For the first half of 2023 in Colombia, small businesses represented 95.3% of the corporate structure, small companies 3.5% and intermediate and large companies represented 0.9% and 0.3% of the national measure. For this reason, it registered 1,854,086 active companies as of March 2023, according to the most recent report from the Economic Studies Office of the Ministry of Commerce, Industry and Tourism based on information from the Single Business and Social Registry (RUES) and the Department National Administrative Department of Statistics (DANE).

The economic-financial prospective continues its management as it is a vital segment with an intrinsic aspect for making commercial decisions in the generality of societies, including SMEs (Nguyen, 2019). Despite this, investigations. They are still trying to find the best strategy to implement this fundamental idea, and Colombia is no different. As a result, it is necessary to identify the planning and procedures that currently exist within these organizations, with a focus on capital budget planning and procedures. Planning is essential for businesses to be successful and long-lasting today.

Therefore, organizational management requires the synergy of the undivided actors, in that context, the cardinal operations of the administrative process (plan, organize, direct and control), their commitment value is to compose each participant in the organization chart; but with a specific focus, the projection assumes the work of locating the tasks of today, to obtain the desired future (Señalin, et al. 2020). Thus, the budget, as a fundamental instrument for the institutional mission, has been the subject of numerous investigations; hence, the accumulation of work regarding the budget issue has been a formula for generating performance by managers. However, studies on the positive and negative effects of the budget and on the role it plays and the criticisms that can be directed at it remain contradictory in many aspects.

Today, management control must take into account many different factors that lead to paradigmatic changes. Among these factors, for example, Business Intelligence (BI), which “refers to all technologies that allow companies to analyze data to benefit their decision-making. (Lebigdata, 2021). Therefore, budget control occupies an important place among the techniques used in the projection and surveillance tasks of an organization. Thus, another factor is Corporate Social Responsibility (CSR), which is increasingly being developed in companies, either through legal obligations. In this way, a first clue lies in the fact that most research on the budget does not consider that it should be apprehended as a set of practices.

Therefore, professions such as accountants, administrators, economists, financial administrators, among others, are constantly evolving; in that sense, their budgeting is good for them. The missions of these management professions, which until now were more dedicated to data mining, will evolve towards performance management with the arrival of big data; Since, whoever uses and says mission evolution, by default it entails normal skill evolution. In a future where data mining will be automatic, the accountant, financial administrator within management, must take a leadership position being a source of proposals towards management, they must also be creative, have a spirit of initiative and a great capacity for convictions (Bouquet, 2017).

In this regard, managing activities in the business community has been a complex task due to the disruptive organizational environment, even more so today in this situation of postmodernity and data intelligence. However, most managers realize the importance of addressing organizational performance
through budget controls for short- and long-term success; but the supply of goods is influenced and restricted by the lack of valuable information and the innumerable trends that are necessary for the convenient activity and development of the organizational sum of driving performance to better productivity and decision making. In this way, the preparation of budgets facilitates the achievement of the project in any institution if they are within the objectives and goals set. Additionally, the budget helps control the daily operations of any business; making the management of specific project objectives achieved in a short period using available resources.

Establishing budgets allows you to outline current and future resources to ensure they are in sync with the organization's objectives. In general, the components of budget frameworks include budget planning, controls, reviews, and implementation. According to Otieno (2019), budget control measures involve continuous planning processes that offer information about the real results expected against the planned budgets in any organization. In this regard, following the uncertainties that prevail in the business environment of organizations in Colombia and its regions today, managers and stakeholders must be balanced and prepared to compete favorably in these rapidly changing conditions. To survive under these complexities and environmental uncertainties, managers and their stakeholders in MicroSMEs need suitable tools, proven management techniques to forecast the main changes that are likely to affect the business while choosing the future direction and the size of resources necessary to achieve goals. selected.

In fact, some organizations only look at narrow ranges of alternatives that they arrive at from their historical data and current situation, other levels of management even eschew long-term planning and budgeting in favor of today's problems, which it makes tomorrow's problems more serious. The above reflects the need for organizations to establish a formal mechanism to scan their environment for opportunities and give early signals of future problems. This course of action will improve the budget and control system, resulting in an adequate expectation of performance improvement.

The sum of knowledge is basically the objective of all research and this work seeks to achieve precisely that. More importantly, this construct is necessary to understand how budget control is established and also how it affects organizational performance; Furthermore, it is a tool that measures the management performance of an organization and promotes good morale and harmony in the organization. Additionally, it allows the organization to verify whether or not the organization's plans are understood by all members and to implement corrective measures when over or under deviations occur. Since, the budget is an instrument for business action, and financial programming, and mainly helps organizations to grow, and therefore also the economy of a region to grow, because when companies and businesses function well, the economy will definitely do well.

Categorization of variables

According to what is established by the technical-organizational-social variables, they are formed with the financial results of economic entities and are the place of exodus to improve standards; Through planning that drives activities in accordance with the outlined strategy, obtaining better scope; Finally, it can be checked to know the result and achieve the established goals. Therefore, budget control is the ideal economic tool that allows businesses to shape financial behaviors over time for the sake of their objectives and economic performance and thus achieve their goals, using instruments such as control, quality and coordination of the investment; In this way, organizational development advances through strategic planning, making administrative management effective.
Budget control determines the effectiveness of an organization's financial performance. For budget controls to be effective and have an impact on the financial performance of the organization, there must be factors that improve their work, such as effective budget control procedures and techniques used to control it. Furthermore, the support and work of senior management in budget control techniques has an impact on the success of the budget control process and, therefore, increases the financial performance of the organization. If budget controls are weak, this will hamper the financial performance of the organization.

2. LITERATURE REVIEW:

2.1 Capital budget theory

This study focuses on the projection function of capital. Capital budgeting theory (CBT) is based on the premise that “organizations make investment decisions based on maximizing wealth and increasing the value of the organization” (Basch, 2017). Capital projection is the summary by which organizations determine which investments will generate long-term returns. Furthermore, maximizing the wealth of owners would not be the primary achievable aspect of organizations, as owners should have significant autonomy to pursue multiple objectives (Warren & Jack, 2018).

On the other hand, Li et al. (2020) that capital investment decisions in small businesses differ from those in large businesses in several aspects. First, small business owners are concerned not only about maximizing wealth but also maintaining their independence, which can affect their investment selections. Second, access to capital can pose an issue for small business owners, which can influence decisions regarding liquidity and maintaining cash reserves. Third, staffing limitations and lack of investment experience may limit small business owners' ability to properly analyze investment options.

This entails critical responsibilities for SME managers or owners, as their capital budgeting decisions shape the future of their companies in terms of productivity and growth (Oyelaran-Oyeyinka, 2020).

2.2 Management decision making

A higher percentage of SMEs have business ownership as sole proprietorships and closely held corporations. Therefore, they are the only ones who make decisions about budgeting practices. In SMEs, owners mostly opt for cash flow budgeting instead of capital prospecting (Orobia et al., 2020). In most situations, owners did not even implement capital budgeting due to their stance on financial viability; not having capital to invest in new projects; and a lack of knowledge about the entire capital budgeting process (Egbide et al., 2019). Likewise, Bergeron and Gaboury (2020) point out and mention that the rest of the SMEs, which applied the capital budgeting process for their investment in new projects, did so through the assistance of external expert consultants. Does management decision making play a key role in capital budgeting practices and financial viability of SMEs?

2.3 General description of budget control

Budgetary control can be viewed as a cost review procedure that encompasses budgeting, consistency of jurisdictions, and allocation of assignments, comparing actual work with budgeted work, and acting on the results to obtain the highest returns (Brown and Howard 2012). A budget provides a detailed plan of action for a business over a defined period of time. For effective budget control, an organization needs to
prepare a detailed plan in both financial and quantitative terms for the next financial period (Robinson and Last 2009). According to Premchand (2004), the budget process is to plan its preparation and establish goals and deadlines for its production. Budgeting in the organization begins with the identification of the departments of an organization and ends at the apex of the hierarchy.

2.4 Ability to control, direct, manage, direct and supervise the workforce.

All SME personnel are essential to their operations. This includes acquiring new people for the business and ensuring that they are productive additions to the SME (Martínez-Costa et al., 2019). Effective human resource management matches and then develops the skills of candidates and staff with the needs of the business. An effective personnel system will contribute to the key ingredients for survival, sustainability and growth (Chams & García-Blandón, 2019).

In that order, human resources management is a complementary act. On the one hand, qualified personnel are employed who adapt well to the needs of the company. At the other end, staff are trained and developed to meet the needs of the business. Most small expanding businesses are between the two levels (Bornay-Barracina et al., 2017). Under this criterion, the construct also evaluates whether having advanced and modern accounting technology and software positively influences planning and capital budgeting practices.

3. METHODOLOGY:

Given that the objective of the research was to assess budget control and the reliability of its data as an alternative for organizational performance in SMEs in the city of Ocaña-Colombia, based on the wealth of information from a fairly large sample of 144 legally affiliated companies in Chamber of Commerce. This study used the sample size to draw conclusions, so a quantitative analysis was used as a research method, a descriptive design and an instrument using the questionnaire were adopted; In this sense, a non-random and intentional sample size was chosen for the survey among SMEs, likewise, the use of quantitative analysis was the best strategy to guarantee the measurability, accuracy and reliability of the findings. Collecting data from each individual in this population was extremely difficult; Therefore, an adequate anthology of information and a representative sample of the population was made. In that order, the validity of the study questionnaire was established from the data, which met the Cronbach’s alpha cut-off point of 0.70. SME owners or appropriate representatives were given a five-point Likert scale-style self-administered questionnaire to complete and collect data for the study. Additionally, the questionnaires were distributed to the respondents for completion. The data, which were converted into numerical values, were analyzed using a scientific statistical analysis program; With the help of a SPSS software configuration which offers advanced statistical analysis, and installed on a computer system, the data acquired for this research was analyzed.

4. RESULTS AND DISCUSIÓN

The following questions and answers were discussed regarding the influence of management/owners on current budget planning and practice. For this reason, three dimensions were made, such as:
- Importance of the Budget
- Budget Sufficiency
- Budget Management

Table 1. Importance of the budget

<table>
<thead>
<tr>
<th>Dimension: Importancia del Presupuesto</th>
<th>Descriptivos</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Media</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Su organización tiene o desarrolla al presupuesto como herramienta de gestión</td>
<td>1.079</td>
</tr>
<tr>
<td>Probabilidad de ejecución total del presupuesto durante el año</td>
<td>1.0179</td>
</tr>
<tr>
<td>El presupuesto de ingreso es alineado</td>
<td>4.3237</td>
</tr>
<tr>
<td>Hay participación en la planificación del presupuesto</td>
<td>4.2230</td>
</tr>
<tr>
<td>El presupuesto está vinculado a los ingresos proyectados</td>
<td>4.2230</td>
</tr>
<tr>
<td>La gestión presupuestal del gasto es acorde a la operación del negocio</td>
<td>4.3942</td>
</tr>
<tr>
<td>Entiende los proyectos como elemento del desarrollo organizacional</td>
<td>3.9496</td>
</tr>
<tr>
<td>La empresa tiene la estructura administrativa para el control y la evaluación presupuestal</td>
<td>3.7026</td>
</tr>
<tr>
<td>Hay interrelación política en el proceso presupuestario</td>
<td>3.9084</td>
</tr>
</tbody>
</table>

Media dimension: Importancia del presupuesto: 3.24, 3.887

Source: Construction of the authors.
Within the evaluation of the importance of the budget, it was determined that the majority of the SMEs that accompanied the study do not have projections as instruments of mission and action, as well as the low probability of total execution of the budget during the year, which determines the little interest as an instrument for making managerial decisions due to its total lack of use of budget control, also within the interpretation of value to the budget, it is linked to projected income, but it is not executed as an evaluation and control policy in the micro-SMEs from Ocaña-Colombia.

According to Doncel and Montes (2017), the budget is "a fundamental tool in business and financial management, which provides crucial information for making strategic decisions." By knowing the available resources, financial limitations and established goals, more informed decisions can be made, which is why it is necessary for SMEs to begin to see the budget as a tool that allows them to evaluate performance and adjust strategies as necessary.

Table 2. Budget Sufficiency

<table>
<thead>
<tr>
<th>Item</th>
<th>Descriptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Se merece alcanzar el ingreso proyectado que permite generar ingreso</td>
<td>4.0216 , 75400</td>
</tr>
<tr>
<td>Los proyectos obtenen la ejecución presupuestal adecuada</td>
<td>3.8201 , 90725</td>
</tr>
<tr>
<td>La organización ha tenido desafíos relacionados con las operaciones</td>
<td>4.0376 , 75200</td>
</tr>
<tr>
<td>La disponibilidad de fondos son permiten operar bien</td>
<td>4.492 , 75010</td>
</tr>
<tr>
<td>Los flujos presupuestales de ingreso han permitido a la organización</td>
<td>4.2602 , 75334</td>
</tr>
<tr>
<td>La organización ha logrado cumplir con las obligaciones financieras</td>
<td>4.3806 , 76219</td>
</tr>
<tr>
<td>La organización mantiene saldos de efectivo suficientes para las operaciones</td>
<td>4.3279 , 74882</td>
</tr>
<tr>
<td>Existe un sistema de seguimiento y evaluación para generar la información sobre el proceso de implementación</td>
<td>3.8653 , 75870</td>
</tr>
<tr>
<td>La organización realiza un sistema de seguimiento para generar la información sobre el proceso de implementación</td>
<td>3.9865 , 75210</td>
</tr>
</tbody>
</table>

Source: Construction of the authors.

In this dimension of budget management, it was found that SMEs are aligned under organizational teleology, where their causes of use of financial resources have an empirical effect of success against their expenditures and obligations without determining their support from budget control. In that order, they determine that they do not observe a quantitative competitive advantage in developing the budget as a management tool, because the majority of its owners have a limited training academy in the field.

Table 3. Budget management

<table>
<thead>
<tr>
<th>Dimension: Gestión del presupuesto</th>
<th>Item</th>
<th>Descriptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>- El presupuesto está alineado bajo la teledología organizacional</td>
<td>4.0144 , 1.10799</td>
<td></td>
</tr>
<tr>
<td>- El presupuesto está alineado con el marco regulatorio</td>
<td>3.8489 , 1.00660</td>
<td></td>
</tr>
<tr>
<td>- Si el presupuesto de ingreso ha sido alcanzado o mejor se ha logrado ejecutar plenamente</td>
<td>4.0935 , 77983</td>
<td></td>
</tr>
<tr>
<td>- La organización cuenta con un sistema de gestión efectivo</td>
<td>4.0554 , 72816</td>
<td></td>
</tr>
<tr>
<td>- La organización tiene una matriz sistemática con la que se utilizan los flujos</td>
<td>3.9028 , 71978</td>
<td></td>
</tr>
<tr>
<td>- En la etapa de cierre presupuestal la organización posee la decisión adecuada para realizar la comunicación necesaria del desempeño presupuestal del periodo de medición de manera efectiva para el próximo año</td>
<td>3.7628 , 71892</td>
<td></td>
</tr>
<tr>
<td>- El grado de satisfacción con la herramienta de presupuesto permite entender que es importante en la gestión.</td>
<td>4.1942 , 72425</td>
<td></td>
</tr>
<tr>
<td>- El desarrollo presupuestal a la gestión podría medir</td>
<td>4.1799 , 71448</td>
<td></td>
</tr>
<tr>
<td>- El grado de satisfacción con la herramienta de presupuesto permite entender que es importante en la gestión.</td>
<td>3.3569 , 70596</td>
<td></td>
</tr>
</tbody>
</table>

Source: Construction of the authors.

In this dimension of budget management, it was found that SMEs are aligned under organizational teleology, where their causes of use of financial resources have an empirical effect of success against their expenditures and obligations without determining their support from budget control. In that order, they determine that they do not observe a quantitative competitive advantage in developing the budget as a management tool, because the majority of its owners have a limited training academy in the field.

In this sense, Doncel and Montes (2017) affirm that budget alignment within organizational teleology refers to how budgets are linked to the final objectives and purposes of an organization. Organizational teleology involves the idea that organizations have end goals.
toward which they tend and that their actions, including budgeting, are oriented toward achieving those goals.

In this context, SMEs must consider that economic foresight is not simply an isolated financial tool, but rather is integrated into the broader structure of the transcendental orientation of society. It is developed with the purpose of achieving specific objectives, whether financial, growth, expansion or any other nature, that are aligned with the business perspective and mission. Organizational teleology implies that the budget is not only a resource allocation tool, but rather becomes an instrument that guides the company towards achieving its fundamental purposes. It is used to plan, control and evaluate performance based on these long-term objectives (Parra and La Madriz, 2017).

Graph 1. Dimensions

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPORTANCIA</td>
<td>3.24</td>
</tr>
<tr>
<td>SUFICIENCIA</td>
<td>4.09</td>
</tr>
<tr>
<td>GESTIÓN</td>
<td>3.72</td>
</tr>
</tbody>
</table>

Source: Construction of the authors.

In graph 1, the sufficiency of the budget is available as the first place in the dimensions evaluated, in second place, the management of the budget, and in third place the importance of the budget, which has the effect of accompanying microentrepreneurs from the academy. to improve their financial competencies and thus achieve better management skills in the use of budget management in their businesses.

According to the above, the budget is a preparatory plan for the costs, resources and income of the organization in accordance with the financial capabilities and its objective is to develop and improve the financial performance of the organization as defined (Mazikana 2019). Although budget control aims to ensure that budget work does not deviate from the established plan, the success of budget control has a direct effect on increasing the financial performance of the company (Nafisatu 2018). Many techniques and procedures to help the success of budget management and control and increase its performance, which lead to accrediting the financial performance of the microenterprise, such as planning, control and control measures, which are of great importance in the success of control. budget (Kimani, 2014).

Therefore, the importance of using budget control techniques due to their impact on raising the financial performance of the organization by controlling the organization's costs, reviewing differences in the budget, allocating its resources and choosing the best investments for the return on investment. capital (Kabiru and Adah 2013). The importance of the role of senior management in supporting the use of budget management and control techniques has become evident, since they have an impact on raising the financial performance of the company.

5. Conclusions

In this modern era of competition, along with the challenges of globalization and borderless markets made possible by technology, this study revealed that SMEs need special skills, namely, budget management and control of their executives in order to sustain themselves. Likewise, the budget process is fundamental for the performance of any organization. From the literature reviewed, most studies showed a positive relationship between the management and control of the budget and the performance of the organization. But the research demonstrates the lack of senior management and their collaborators who provide accounting advice, where they do not agree to prepare, implement and evaluate the budget in an organization such as microenterprises and SMEs. From the data analyzed, it was revealed that there is a less than optimistic correlation between budget processes and the performance of a company.
The results of this construct indicated that a large percentage of SMEs are owned by sole proprietorships and closed corporations. Executives are largely unaware of their creditworthiness, the various policies, regulations and programs offered by government entities and the tax incentives.

6. REFERENCES


