CHAPTER ONE

1.0 INTRODUCTION.

The rapid environmental changes that companies face today affect not only production system, equipment changes and new technology usage but also organizational performance and management philosophies, therefore this report will consist of the background to study, the statement of the problem, purpose of the study, scope, objectives and the significant the study has on business organizations as far as budgetary control and performance are concerned.

1.1 Background to the study

Budget and Budgeting are concepts traceable to the Bible days, precisely the days of Joseph in Egypt. It was reported that nothing was given out of the treasure without a written order. History has it that Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine. Budgets were first introduced in the 1920s as a tool to manage costs and cash flows in large industrial organizations.

John (1996), states that it was during the 1960s that companies began to use budgets to dictate what people needed to do. In the 1970s performance improvement was based on meeting financial targets rather than effectiveness companies then faced problems in the 1980s and 1990s when they were not willing to spend money on innovations in order to stay with the rigid budgets, they were no longer concerned about how customers were being treated, only meeting sales targets became essential.

It is a requirement as per Serena Group of Hotels Finance policy that each unit has got to prepare budgets from where financial statements prepared on a monthly basis can be compared with. However effective budgetary control has been a problem. What is forecasted monthly is not actually met. In business
organizations, budgeting are formally associated with the advent of industrial capitalization for the revolution of the eighteenth century, which presented a challenge for industrial management.

However, budgeting at the early state of its development was concerned with preparing and to permit correct performance evaluation and consequently rewards. Information that management accounting control system helps managers, by monitoring company’s changing environmental circumstances, to compare opportunities and threats in the market so that they can obtain added value against competitors because it is important in facilitating the preparation of budgets, since budgeting and accounting are closely related (Bromwish, 1990).

Budgets are known to have an important role to transmit the expectation of top management to lower levels. According to Bremser (1988) budgets are used to communicate top management’s expectations to managers and employees. According to Lucey (1993), it is a quantitative expression of plan of action prepared in advance of the period to which it relates, expressed in money terms approved prior to the period. Lucey (1993) further urges that performance is influenced by many factors which includes planning and coordination, clarification of authority and responsibility, effective communication both internal and external, control of resources available, both human and non human and motivation of both the lower and middle management.

If the actual numbers delivered through the financial year turn to be close to the budget, this actually demonstrates that the organization’s management understand its business and has been successfully driving it in the direction they had planned. On the other hand, if the actual results diverge wide from the budget, this sends out an ‘out of control’ signal. For this reason, budget based control means manager’s evaluation according to budgetary goals.
In this context, budgeting benefits and its possible negative effects on attitudes and behaviors of managers on performance are still among the subjects of strategic management control systems that are being researched presently nearly all large businesses reforecast their forecast their activities, as months pass, the actual income achieved and expenses incurred can be compared to the budget and forecast

1.2. Statement of the problem.
Many business firms recognize the need to have a developed and comprehensive budgetary control system in order to minimize budget variances, costs and maximize efficiency. Budgetary control is as crucial as cash itself and any theft, waste, excessive use or stock out could lead to the business’s poor performance. Kampala Serena Hotel has acknowledged that its performance is influenced by budgetary control systems. This is evidenced by a budgetary deficit of shillings Fifty three million point four (53,458,363) for the last half of the year of financial statements, July-December, 2010. It is against this scenario, that the researcher picked interest in analyzing the effect of budgetary controls on business performance.

1.3 Purpose of the study
The purpose of the study will be to establish the effectiveness of budgetary controls on performance of Kampala Serena Hotel particularly in the administration of revenue and operating costs through activity planning, coordination and communication between departments, help to allocate resources, motivation to objectives, assessment and control of results and performance evaluation of departments or managers.

1.4 Research objectives
1.4.1 Main objective
The general objective of the study will be to analyze the role of budgetary control on the performance of business organizations.
1.4.2 Specific objectives

1. To establish the levels of budgetary controls in Kampala Serena Hotel.
2. To establish the levels of performance in Kampala Serena Hotel.
3. To establish the relationship between budgetary control and performance in Kampala Serena Hotel.

1.5 Research questions

1. What are the levels of budgetary controls in Kampala Serena Hotel?
2. What are the levels of performance in Kampala Serena Hotel?
3. What is the relationship between budgetary controls and performance in Kampala Serena Hotel?

1.6 Scope of the study

This will be looked at in three dimensions:

1.6.1 Study scope

The study will be limited to the performance as a dependent variable and budgetary controls as an independent variable. The researcher will consider strategies used towards budgetary controls and the way they are manipulated to influence the performance of the organization.

1.6.2 Geographical scope

The study will be carried out in Kampala, at Kampala Serena Hotel situated on plot 16/18 Nile Avenue, one of the Serena Group of Hotels in East and Central Africa.

1.6.3 Time scope.

In terms of time scope, the study will cover the period between January, 2010 to March, 2011.
1.7 Significance of the study

The study was intended to establish the correlation between budgeting and budgetary controls with business performance to assist managers improve their operational efficiency.

The study will also intend to facilitate the researcher acquire skills on how to conduct research findings and generate solutions to business problems encountered in business life and also enable him fulfill the requirement for the award of a Bachelors Degree of Commerce of Makerere University.

Lastly, the study will also intend to add to the existing literature on budgeting and business performance, to help future researchers interested in the subject matter and as a basis for further reference.
CHAPTER TWO

Literature Review

In this chapter, a number of issues will be discussed in relation to budgetary controls and the organizational performance.

The study is based on the work done by scholars about budgetary control and performance management with major reference to different writers who presented a variation of views about budgetary controls on performance of business organizations.

While reviewing the literature, the central focus is to establish the missing link that can be filled by the research gap between the previous researchers if any and the current situation.

2.0 Introduction.

This section gives the definitions on the issues of the study as identified by different writers.

Budget is defined as a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for a given future period. It is also a formal statement of the financial resources set aside for carrying out specific activities in a given period of time so as to help and coordinated the activities of organization.

Omolehinwa (1989) defined a budget as a plan of dominant individuals in an organization expressed in monetary terms and subject to constraints imposed by the participants and the environments, indicating how the available resources may be utilized, to achieve whatever the dominant individuals agreed to be the organization’s priorities.

Lucey (2003) in his recent definition of a budget defines it as 'a quantitative expression of a plan of action prepared for the business as a whole for departments, for functions such as sales and production or for financial resources items such as cash, capital expenditure, man power purchase, and others'.
According to Kamukama. (1992), a budget is a plan of action expressed in quantitative terms. It is a financial and or quantitative statement prepared and approved prior to a defined period of time for attaining a given organizational objectives.

2.1 Budgeting
The Tennessee Board of Regents (2006) defines budgeting as the process whereby the plans of an institutions are translated into an itemized, authorized and systematic plan of operation, expressed in dollars for a given period. Budgeting at both management level and operation level looks at the future and lays down what has to be achieved. Control checks whether the plans are being realized and put into effect corrective measures, where deviation or short fall is occurring(Egan,1997)

2.1.1 Budgeting control.
This is the process by which financial control is exercised by managers preparing budgets for revenues and expenditure for each function of the organization in advance of an accounting period. It involves the continuous comparison of actual performance against the budget to ensure the plan is achieved or to provide a basis for its revision (Collis and Hussey, 2007 )
Budgetary control is defined by the Institute of Cost and Management Accountants (CIMA) as ‘the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision’.

2.1.2 Variances
A variance is the difference between the predetermined cost and the actual cost, or the difference between the predetermined revenue and he actual
revenue (Collis and Hussey, 2007). An adverse variance is an unfavorable difference.

2.1.3 Performance measurement.
This is the process whereby an organization establishes the parameters within which programs, investment and acquisitions are reaching the desired results. This process often requires the use or statistical evidence to determine progress towards specific defined organization as objectives.

2.1.4 Business
Jewel (1995) defined business as an organization or an enterprising entity engaged in commercial, industrial or professional activities. It may also refer to a commercial enterprise, professional or trade operated for the purpose of earning a profit by providing a product or service, also called business enterprise. Business vary in size from one person, to sole proprietorship the an international corporation.

2.2.0 Types of Budgets
Budgets can be categories into two, that’s, operating and cash budgets. Operating budgets are functional or departmental budgets that may exist in an organization and among others includes; sales budgets, production budgets, material usage budgets, material purchases budgets and labour budgets.

Cash budgets are statements in which estimated future cash receipts and payments are tabulated in such a way as to show the forecast cash balances of a business at defined intervals.

Jewel 1995), categorizes budgets into two and these are; expenditure and operating budgets. Where expenditure budgets are for non-current assets or for projects where returns are expected in future. It is regarded as a long term
budget and this is usually a reflection of the strategic plans. It contains items like building, motor vehicles, land and construction of roads among others.

2.2.1 Methods for setting Budgets.
In incremental budgeting, managers add a percentage to the previous period's budget to take account of expected changes in price levels. But this unlikely to create a budget that is relevant to the particular conditions expected and non recurring revenue and/or nonrecurring expenditure will be included.
Zero based budgeting. Here managers start from zero, building each figure into the budget where it can be justified from the expected conditions and polices. This makes the budget more relevant than incremental budgeting. The obvious problem of this zero based budgeting process is the massive amount of managerial time needed to carry out the exercise.

2.2.2 Interrelationship of Budgets
Functional budgets are drawn up for each department or function in the business by the specific functional manager. Non functional budgets are also needed (e.g. Capital expenditure budget, cash flow budget, budgeted profit and loss account, budgeted balance sheet) and these require contributions from various managers and the accountant.
The master budget incorporates all the budgets and is the final coordinated budget for the period.
According to Chadwick. (1994), all the specific budgets add up to a master budget. It is a statement of the future profit and loss and balance sheet resulting from the operation of the plans and this helps the management to know the financial or resource status to be able to take action in time, in case of predicted short comings.

2.3.0 Organization management.
Organization management is one of the highly successful independent management and training consultancy specializing in providing highly quality
solutions tailored to meet the specific needs of customers and their business( http: // organizational management.org)

2.3.1 Budget organizational and management
Research done through .http://www.fac.org/docrep/w4343e/w434e05/htm indicates that of all business activities, budgeting is one of the most important and therefore requires detailed attention and as result when organizing and administering the budgetary system, a number of characteristics should apply, and these includes;

2.3.2 A budget centre. A budget centre is designated part of an entity for which budgets are prepared and controlled by the manager. (Collis and Hussey, 2007)

2.3.3 A budget committee. This is a committee that consists of senior members of the organization such as departmental heads and executives chaired by the managing director and it requires every part of the organization to be represented on the committee.

2.3.4 Functions of the budgetary committee.
The committee coordinates the preparation of the budget including the issue of a manual, issuing of timetables of preparation of budgets, provision of information to assist budget preparations, comparing the actual results with the budget and investigating the variances.

2.3.5 Budget officer. This is a person or group of personal that controls the budget administration and specifically the job involves; liaising between the budget committee and manager responsible for budget preparation, dealing with budgetary control problems, ensuring that deadlines are met and educating people about budgetary control.
2.3.6 Budget manual.
This is a document that prescribes the following information, that is, charts the organization, details of the budget procedures, accounts codes for items of expenditures and revenue, time tables the process and clearly defines the responsibilities of persons involved in the budgetary control system.
According to Pizzey (1989), a budget manual will contain details of the system for drafting the budget, that is what forecasts are to be prepared, who are responsible for preparing them, and the time table for making decisions.

2.3.7 Characteristics of a budget.
A good budget is characterized by the following attributes, that is; participation (involve as many people as possible in drawing up a budget), comprehensiveness (embrace the whole organization), standards (base it on established standards of performance), flexibility (allow for changing circumstances), feedback (constantly monitor performance) and analysis of cost and revenue which can be done on the basis of product lines, departments or cost centres.

2.3.8 Budgetary control and responsibility centres.
These enable managers to monitor organization functions. A responsibility center can be defined as any functional unit headed by a manager who is responsible for the activities of that unit. It has four types, that is;

Revenue centre – Organization units in which outputs are measured in monetary terms but are not directly compared to input costs.
Expense centres – Units where inputs are measured in monetary terms but outputs are not.
Profit centres – It is where performance is measured by the difference between revenues (outputs) and expenditures (inputs). Interdepartmental sales are often made using transfer prices.
Investment centres. – This is where outputs are compared with the assets employed in producing them that is, return on investments.

2.4 Objective of budgetary control
The overall purpose of budgetary control is to help managers plan and control the use of resources in a systematic and logical manner to ensure that they achieve their financial objectives, that is profit satisficing (making satisfactory level of profits) and profit maximization (making the maximum profit). The Hotel after having made their assumptions about the forthcoming period, the next stage is to set out their financial strategies in detail by preparing financial and non-financial budgets that cover every aspect of the firm’s activities.

Bendney, Hussy and Colston, (1991) argues that small business are relatively easily controlled by one person, usually the owner, but as the business expands, however, there is a tendency to split the organization into parts and employ a specialist manager to run it with a number of specialist line manager who are responsible for the operations of the particular functions. It is important decisions here are made within an overall plan which will ensure that the business as a whole will achieve its agreed objectives as budget will force the management to think ahead to anticipate what is likely to happen. It is essential therefore, that the business develops a formal planning and control system which will state clearly the objectives for both a business as the whole and for each individual functional manager.

2.5 Need for budgetary control
According to a Ecoman-competency and training, (2011) gave a detailed need for budgetary controls as analyzed thus,

Budgetary control integrates the organization’s strategic planning with budgets and processes of cost control, identifies the budgeting / financial skills required for better decision making, whether for continuing business or project or a new business venture, identifies sources of financial and business data that provide
insights into business and financial strategies when converted into budgets, explore traditional versus innovative budgetary techniques, get to know activity based budgeting and costing, explore capital budgeting techniques and cash flows, identify key financial indicators for the business and how and when monitor them, question to the problems and limitations of budgetary control and look for alternative tools, understand the importance of balancing financial and nonfinancial aspects of the business, interpret budgets and performance measurements as communication tools and finally help to think proactively beyond budgeting.

In addition to above, budgetary control is needed because of under stated advantages

Responsibility accounting. Information is provided to managers responsible for revenue and expenditure and achievements of targets for operations under their personal control.

Utilization of resources. Capital and effort are used to achieve financial objectives and kept at minimal level in any given organization.

It promotes coordination and communication of all functions and activities among the various departments in an organization.

Motivation of manager through use of clearly defined objectives and monitoring of achievements, through employees participating in the setting up of budgets and acting as a guide to management in the field of research and development in the future.

Planning ahead gives time to take collective action which compels management to think about the future, which is probably the most important feature for any business to succeed through increases in production efficiency, elimination of the wastes and controlling the costs.

Budgetary control establishes the system of control if plans are reviewed regularly against actual as well as transferring authority to individual managers for decisions.

It provides a basis of performance appraisal, that is, variance analysis where actual performance is measured and assessed against the budget plan.
Departures from the budget can then be investigated and then the reason for the difference determined. Budgetary control also economizes management time by using the management by exceptional principle.

2.6 Essentials of an effective budgetary control system.
For the budgetary control to be effective, the following essentials has to be in place;

- A sound and clearly defined organization with manager’s responsibilities should be clearly defined.
- Effective accounting records and procedures that are clearly understood are applied.
- Support and commitment of top management for the system of budgetary control is in place.
- Education / training of managers in the development, interpretation and use of budgets.
- Revision of budgets where amendments are needed to make them appropriate and useful.
- Kampala serene Hotel reorganizes that budgetary control is a management activity and not an accounting exercise.
- Kampala Serena Hotel ensures that there is participation of managers in the budgetary control system
- There is an information system that provides data for managers so that they can make realistic predictions
- Correct integration of budgets and their effective communication to managers
- Kampala Serena Hotel sets budgets that are reasonable and achievable
2.6.1 Main stages in budgetary control.

- Consult with managers
- Make assumptions and predictions
- Set detailed budgets to meet objectives
- Measure actual performance and compare with budgets
- Revise budgets or take remedial action to achieve plan

2.6.1 Limitations of budgetary control

According to the institute of banking studies, Kuwait (1986) budgetary control is being limited/ suffered by the following;

Budgetary control is a subject to human judgment, interpretation and evaluation. The system necessitates forecasting which is surrounded with the risks of future uncertainties. It requires good and adequate standards and in some cases these are hard to develop at the same time, it requires skills, experience, and expenditure of time, money and effort to make this system to work successfully.

Krishna. (2010) stipulated that the biggest limitation of traditional budgetary control is that focuses primarily on expenses, paying little attention to the results obtained as the result of the expenses incurred. For example, the marketing manager may fail to cash on an opportunity to sell more by increasing the travelling of his sales persons because that will lead to travel expenditure exceed the budget.

Another common limitation of budgetary control is related to the way budgets are finalized. In many organizations the budgets are often prepared on the basis of past performance rather than the future requirements. This tends to
create a false feeling of planned working, when in reality the organization is only drifting along with the flow of past trends.
Set in stone. Managers may be constrained by the original budget (e.g. make no attempt to spend less than maximum or exceed target income).
Time consuming process may deflect managers from their prime responsibilities to running the business.
Unrealistic if fixed budgets are set and actual activity level is not as planned.
Disillusioning for managers if fixed budgets are set and not achieved merely due to changes in activity.
Demotivating for managers if budgets are imposed by top management with no consultation hence resulting in bad labour relations and inaccurate record keeping.
Waste may arise as managers adopt the view “we had better spend it or we will loose it” .this often coupled with the “empire building” in order to enhance the prestige of the department.
Manager may over estimate costs so that they will not be blamed in future, should they over spend.
Departmental conflicts may arise due to disputes over resource allocation, department blaming each other if targets are not attained among other things.

2.7 Organizational Performance.

Objective performance indicators are necessary to monitor processes and measure change. This process of measuring performance often requires the use of statistical evidence to determine progress towards specific defined organizational objectives.
Fundamental purpose behind measures is improving performance. Measures that are not directly connected to improve performance are measures that are means to achieving that ultimate purpose (Behn, 2003).
Behn (2003) gives the following reasons for adapting performance measurements.
Evaluating how well public agency is performing. To evaluate performance, managers need to determined what an agency is supposed to accomplish (Kravchuk & Schack, 1996). Evaluation process consists of two variables; organizational performance data and benchmark that creates a flame work for analyzing that data. For organizational information focus on the out comes of the agency’s performance, but also including input/ environment/ process / output to have comparative flame work for analysis. As in order for organization to evaluate performance, it requires standards (bench mark) to compare its actual performance against past performance/ from performance of similar agencies / industrial standards / political expectations.

Today managers do not control their work forces mechanically, however managers still use measures to control while allowing some space for freedom in the work force. Organizations create measure systems that specify particular actions they want to execute for branch employees to take a particular ways to execute what they want the branch to spend money. The measurements of compliance with these requirements are the mechanism of control.

Budgets are crude tools in improving performance. Poor performance not always may change after applying budgets cut as a disciplinary action. Some times budget increase could be the answer for improving performance. Efficiency is determine by observing performance output and outcome achieved considering the number of people involved in the process (productivity per person) and cost data (capturing direct cost as well as indirect).

Giving people significant goals to achieve and then use performance measures including interim targets to focus people’s thinking and work, and to provide periodic sense of accomplishment. Performance targets may also encourage creativity in developing better ways to achieve the goal (Behn, 2003), thus measure to motivate improvement may also motivate learning

Organizations need to commemorate their accomplishment so as to tie the people together, give them a sense of their individual and collective relevance.
More over, by achieving specific goals, people gain sense of personal accomplishment and self worth (Locke and Latham, 1984). Significant performance targets that provide sense of personal and collective accomplishment. In order for celebration to be success and benefits to be a reality, managers needs to ensure that celebration creates motivation and thus improvements.

National academic of public administrations centre for improving government performance, NAPA (1999), Performance measures can be used to validate success, justifying additional resources, earn customers, stake holders and staff royalty by showing results and win recognition inside and outside organization. To convince employees that the organization is doing good, managers need easily understand measures of those aspect of performance about what many employees personally care.

Hearing is involved with some process of analyze of information provided from evaluating cooperate performance. By analyzing that information, cooperation are able to learn reasons behind its poor or good performance. However, if there is too many performance measures, managers might not be able to learn anything (Neves of National Academy of Public Administration, 1986). Benchmarking is traditional form of performance measurement which facilities learning dividing assessment of organizational performance and identifying possible solutions for improvements.

In order for corporation to measure what it wants to improve the first need to identify what it will improve and develop processes to accomplish that. Also you need to have a feed back loop to assess compliancy with plans to achieve improvements and to determine if those processes create forecasted results.

2.8 Budgetary control and performance relationships

Rigid budgetary control styles are known to cause subordinates to show dysfunctional behaviors such as budget games. Rigid control systems means
that subordinate’s performance is evaluated primarily on his or her ability to attain budgetary objectives during each reporting period.

Brownell, (1982) suggests that when budgetary control is high, budgetary participation should increase accordingly. When budgeting control is riding subordinates would want to know assessment criteria in details. Therefore, as the budgetary control increases, budgetary participation of subordinates is also expected to increase. He advocates that budgetary participation is an important moderating variable in the relations between type of budgetary control and subordinate’s performance. Brownell’s (1982) findings, budget application that includes budgetary control have no direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.

Differing from Brownell and Dunk(1991), the study conducted by Otley and Pollanen (2000) reveals that budgetary participation, control and task ambiguity directly affects performance negatively but in situations where they combined interaction of variables, the effect differ. According to the study, while budgetary participation, control and task ambiguity affect performance negatively, in situations where budgetary control is high, participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively effected by budgetary control.
FIGURE 1: Research model and hypothesis.

BC  budgetary control  
BP  Budgetary participation  
PJ  Procedural justice  
PR  performance

H1 because budgetary participation provides an opportunity for participants to reflect their person initiative to budgeting process, it has positive effect on participant’s performance perception.

H2 Procedural justice variable used in this study has a direct effect on performance.

H3 Procedural justice perception has an indirect effect on performance by affecting budgetary participation

H4 Budgetary control in this study has direct effect on performance perception

H5 budgetary control perception causes indirect performance effect by affecting budgetary participation.

H6 budgetary has positive effect on procedural justices.
Conclusion

Budgetary control is a technique of managerial control in which all operations are planned in advance in the form of budgets and actual results are compared with budgetary standards. An effective system of budgetary control manages to plan and control the use of resource in a systematic and logical manner. Financial objectives and constraints should be communicated to managers of budget centres and regular monitoring keeps management informed of progress towards objectives.
CHAPTER THREE
RESEARCH METHODOLOGY.

3.0 Introduction
This chapter presents a background against which data will be gathered. It introduces the reader to various methodological aspects of study. It also provides background against which the finding of the study will be assessed. In essence, this chapter provides a description of the survey population, research design, techniques used in data collection, process and analysis as well as limitations and constraints to the study.

3.1 Research design.
The research study will be conducted using a case study approach on the basis of time series in particular cross sectional research. In this case data will be gathered just at once for a period of two weeks in order to answer a research question in form of a snap shot or one shot research. Both qualitative & quantitative research designs methods will be used. Qualitative method will be used to draw information from the accounts records while quantitative method will be used to collect information from the management and the employees of the hotel that will help to analyze & evaluate the effect. This will also give opportunity to the researcher to measure the attitude options of his respondents towards budgetary controls. The researcher will examine data over the last half of 2010 (July-Dec). Therefore the researcher will use stratified sampling technique with specific emphasis on staffs of Kampala Serena Hotel.

3.2 Study Population.
The study population will comprise of 50 employees who will be grouped into hotel departments under production departments, Administration and General, Rooms department, Health club department, Technical services department and other support sections responsible for budgeting. Various categories of staff will be selected and this will enable the researcher in finding out how
different departments carry out the budgeting exercise and to get a variety of views on the importance of budgetary controls on business performance.

3.2.1 **Sampling flame.**

The researcher will be able to determine the list of all employees in the selected departments from which the sample will be drawn. Every employee in the departments selected will be listed once and this will done by viewing through the employee register.

**Table 2. Showing the composition of the sampling frame and sample size.**

<table>
<thead>
<tr>
<th>Departments</th>
<th>Management Staff</th>
<th>Supervisor Staff</th>
<th>Total</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account and Finance</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Administration</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Maintenance Department</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Rooms department</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Conference Services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Production</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Health Club</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17</strong></td>
<td><strong>33</strong></td>
<td><strong>50</strong></td>
<td><strong>44</strong></td>
</tr>
</tbody>
</table>

Source: The research advisors 2006.

3.3 **Sampling and sampling size.**

3.3.1 **Sampling method.**

The respondents will be chosen using a combination of disproportionate stratified sampling method where the population will be divided into non overlapping departments called stratum and from each stratum a sample will be selected using a random sampling technique where respondents will be issued with questionnaires to answer questions. This method will be used
because no single employee can belong to more than one department or stratum and they have a maximum homogeneity within each department and maximum heterogeneity between the departments.

3.3.2 Sample size.
The sample size will comprise of a representative sample of forty four (44) employees in total with a sample selection of five (5) production staffs, eight (8) executives, thirteen (13) accounting and finance staffs four (4) technical staffs and fourteen (14) employees from other support departments. This sample size will give a confidence level of 95% and a margin of error (degree of accuracy) of 0.05(5%). In selecting the department for the study, stratified sampling will be used based on the departments to the study.

3.3.3 Sources of data.
Data will be collected using both primary and secondary sources of data through the use of personal interviews, direct observation, and self administered questionnaires with respondents. Secondary sources of data will be got from the business records that includes among others, cash books, ledgers and financial statements. Secondary data sources are mainly used to supplement primary data to enable the researcher get more information concerning the topic. The information will be got from reading already written literature on budgetary control systems from text books, magazines, management reports, operations guidelines and other research work that had already been carried out.

3.4 Data collection instruments.
In for the researcher to obtain exhaustive information and compile it from different departments, he will use a variety of methods of data collection as listed below;
3.4.1 Questionnaires.

The researcher will use closed-ended and a few open-ended questionnaires. The researcher will directly distribute questionnaires to the respondents, employees and managers. The researcher then will allow respondents to fill in the questionnaires for a period of one week before collecting them personally for the analysis of the data obtained. In this case questionnaires will be self administered to allow further probing and clarification of unclear issues.

3.4.2 Observation.

The researcher will use observation method alongside interviews and questionnaires. The researcher himself will observe variables of interest but will not take part in the activities observed. Through this method, the researcher will be able to get first hand information, which the respondents will be able to give. An observation checklist will be used to guide this method.

3.5 Measurement of variables.

The researcher will measure variables in terms of both capital employed and profitability through the use of performance indicators and control ratios such as the perspectives of the score card, economy, effectiveness and efficiency of staff involved, activities and capacity of the organization. Respondents participating in budget preparation and performance will be asked, on a four point likert-type scale from one (of negligible impact) to four (extreme impact) to measure their perceptions about the effect of budgetary controls on the performance as it affects the success or failure of their organization. Qualitative data will be analyzed basing on opinion of the respondents.
3.6 Data processing, analyzing and presentation.

After data collection, analysis and processing will be done by use of computer programmes such as Microsoft word and excel. Data will be systematically presented according to the theme following the chronology of the research objectives and questions to enable easy interpretation of the findings. The interpretation of data will be done by comparing and contrasting primary and secondary data and the researcher’s opinion.

3.7 Limitation of the study.

The researcher will be expected to experience the following problems:

3.7.1 Financial constraints.

One of the major problems that the researcher will encounter will be inadequate financial support which will consequently slow down the process of data collection and production of the final report of the study in time. However, this problem will be overcome by borrowing money from friends so that the final report could be made.

3.7.2 Time constraints.

There will be a problem of getting a primary data from respondents especially from managers since they will be always pre-occupied with office work to attend to the researcher. However this problem will be solved by scheduling appropriate time of meeting the managers so that the questionnaires could be filled at once.

3.7.3 Lack of corporation.

The researcher also expects the problem of uncooperative subjects because some respondents will be biased and others may not want to give their information due to aggressiveness and suspicion hence causing lack of adequate information to facilitate secondary data. In spite of all these, the
researcher will be determined to have a successful research study by conducting some education to the respondents.

Conclusion.
However, the researcher will sacrifice everything possible and will be able to find the necessary data in order for him to come up with sufficient information about the study that can be used to facilitate further researchers.
CHAPTER FOUR
PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS.

4.0 Introduction

This chapter gives presentation, analysis and interpretation of the findings to solve the research problem. In the presentation of findings, tables, frequencies, percentages and pie-charts were used to describe the findings. It is from these findings that the study helped the researcher to draw conclusions and make recommendations that can be useful in organizations. This is an exploratory study, which involved the whole structure of Kampala Serena Hotel from Top Management to operational staff members.

It aimed at revealing a number of issues relating to budgetary control practice in the organization and performance, through output, quality products, delivery time, distribution and level of communication within the hotel.

The findings were organized under the headings of respondents' personal data, levels of budgetary controls, levels of performance, establishing and examining the limitation or challenges of budgetary controls and finally the conclusion.
4.1.0 Respondents' data

4.1.1 Number of respondents

Table 2 showing number of respondents

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and finance</td>
<td>8</td>
<td>22.2</td>
</tr>
<tr>
<td>Production</td>
<td>5</td>
<td>13.9</td>
</tr>
<tr>
<td>Rooms</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Health Club</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Administration &amp; General</td>
<td>12</td>
<td>33.3</td>
</tr>
<tr>
<td>Maintenance</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Conference Services</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data.

Of the 44 questionnaires, only 36 (82%) respondents responded whereas 8 (18%) did not respond. Poor response from both middle and top management might be due to the fact that they are usually occupied in strategic meetings of the hotel and don’t have time to complete the questionnaires.
4.1.2 Gender of respondents

The hotel employs both men and women.

Table 3. Gender Distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>22</td>
<td>61.1</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>38.9</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data.

Of the respondents interviewed, 61% were male and 39% were female and since the selection was done at random, one can conclude that Kampala Serena Hotel employs more male than female. This is because the hotel work involves a lot of standing, lifting heavy weights and working under hot conditions like in laundry and in production that can not say favors a pregnant woman. Since this is a big hotel, it needs strong men. This was analyzed as per the pie chart below;
4.1.3 Respondents’ age

Table 4 showing respondents’ age

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>26 – 30</td>
<td>4</td>
<td>11.1</td>
</tr>
<tr>
<td>31 – 35</td>
<td>8</td>
<td>22.2</td>
</tr>
<tr>
<td>35 and above</td>
<td>24</td>
<td>66.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source:* primary data.

From the above table, 11.1% of the respondents were between the age of 26 and 30.
Going by Uganda education system, these were fresh graduates who had just come out of the university. They were however informed on the role of budgetary control and the factors affecting budgetary control in business organizations.

22.2% were between 31 and 35 years and 66.7% were above 35 years. These had spent a significant time in the field and were therefore very informed on the importance of budgetary control in the hotel.

Twenty four (24) respondents (66.7%), going by their age were very experienced people and most of them were both in top and junior level management, an area that is involved in strategic decisions.

### 4.1.4 Length of service

#### Table 5 showing length of Service

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between 1 – 2 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between 2 – 4 years</td>
<td>16</td>
<td>44.4</td>
</tr>
<tr>
<td>Above 4 years</td>
<td>20</td>
<td>55.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>36</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

From the respondents interviewed, 56% had worked for the hotel for more than 4 years and these mostly included employees from outside Uganda more especially Kenya and some Ugandans who opened with Kampala Serena Hotel by the time it took over Nile Hotel International in February 2004. This is a quite a good experience for the respondents to give informed responses on budgetary controls.

They therefore had extensive experience in the field and helped to reveal how controls are exercised in Kampala Serena hotel.
4.2 Levels of Budgetary controls.

The study will try to establish the levels of budgetary controls in Kampala Serena Hotel, how they are implemented in the measurement of performance and these are summarized in the table below.

Table 6 shows the response on the objectives of budgetary controls

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussing with the subordinates on the goals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
100 % of the respondents revealed that subordinates are discussed with concerning the goals to be met in Kampala Serena Hotel. This is argued that, they always discuss goals at departmental level or at times with their subordinates. This makes arrangements easier for the function to take place since this is a service industry.

Table 7 response on the importance of budgetary controls

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary controls motivate managers to achieve objectives of the organization.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>30</td>
<td>83.3</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>11.1</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

83% of the respondents interviewed, strongly agreed that budgetary controls motivates managers as well as subordinates in order to achieve the set objectives and hence improve operations necessary for enhancing performance in Kampala Serena Hotel.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does budgetary controls assist management to assess the level of performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>28</td>
<td>77.8</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>11.1</td>
</tr>
<tr>
<td>Not sure</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>5.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>36</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source**: Primary Data

From the table, 28(77.8 %) of the respondents strongly agree that budgetary controls assists management in the assessment of the level of performance in Kampala Serena Hotel meanwhile 4(11.1%) just agree or believe that budgetary control assist in the assessment of hotels performance. This eventually evaluates the performance of the hotel to be good.

**Table 9 showing the performance of the hotel in the next five years.**
<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of Kampala Serena Hotel in the next five years to come.</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td>Increasing</td>
<td>22</td>
<td>61.1</td>
</tr>
<tr>
<td>Remaining constant</td>
<td>4</td>
<td>11.1</td>
</tr>
<tr>
<td>Reducing</td>
<td>8</td>
<td>22.2</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
<td>5.6</td>
</tr>
</tbody>
</table>

**Source:** primary data

Further analysis on the performance of Kampala Serena Hotel in the next five years indicates that it is increasing by 61% as per respondent’s information. This means that budgets always motivates managers and their subordinates to achieve objectives and thereby establishing control within the hotel. 22% of the respondents revealed that performance of the hotel is most likely to reduce due to the reason that what is budgeted for is not what is spent to achieve the required.

**4.3 Performance levels in Kampala Serena Hotel.**

Objective performance indicators are necessary to monitor processes and measure change. This process of measuring performance often requires the use of statistical evidence to determine progress towards specific defined organizational objectives.

**4.3.1 Responses on performance levels in Kampala Serena Hotel.**
Table 10 Comparison of current and previous year’s sales.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>How are the current sales compared with the previous years?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased</td>
<td>30</td>
<td>83.3</td>
</tr>
<tr>
<td>Decreased</td>
<td>6</td>
<td>16.7</td>
</tr>
<tr>
<td>Remained constant</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data

According to the study finding that are presented in the above table, 30(83.3%) of the respondents revealed that the current sales are increasing above average as compared to the previous years and 6(16.7%) reported that the current sales are reducing probably due to the changes in the economic conditions.

Table 11 showing comparison of current expenditures with previous years.

<table>
<thead>
<tr>
<th>variables</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>How are the current expenditures compared to that of the previous years?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased</td>
<td>3</td>
<td>8.3</td>
</tr>
<tr>
<td>Decreased</td>
<td>33</td>
<td>91.7</td>
</tr>
<tr>
<td>Remained constant</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data.

Due to the fact that current sales are increasing by 83.3% as compared to the previous years, findings revealed that 33(91.7%) of the respondents indicated that the current expenditures have decreased as compared to the previous years meanwhile 3(8.3) reported the expenditures to be increasing by that percentage.
Table 12 showing whether sales and expenditures are according to budgets.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the sales and expenditures according to the budgets/targets?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>34</td>
<td>94.4</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data.

34(94.4%) of the respondents revealed that both sales and expenditures are made according to the budgets or targets indicating that the controls indicated that some sales and expenditures are made out of the budgets or targets indicating some weakness in the controls at a certain level. In this case therefore the few respondents gave a corrective action of conducting daily review of sales and expenditures so as to eliminate out of target or budget expenditures and sales.

Table 13 comparing Kampala Serena business with competitors.

<table>
<thead>
<tr>
<th>variable</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparing your business with competitors in the same industry, how do you rate the performance of Kampala Serena Hotel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>35</td>
<td>97.2</td>
</tr>
<tr>
<td>Average</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Good</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Below average</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

35(97.2%) of the respondents believed that the rate of performance of Kampala Serena Hotel is excellent as compared with the fellow competitors in the same
industry and only 1(2.8%) of the respondents indicated the business performance to be average as compared to the competitors.

### 4.4 objectives of budgetary controls.

The researcher was able to review the objectives of budgetary control in Kampala Serena Hotel that included the following:

To ensure that controls are in place to ensure that continuous operations of the hotel are identified and managed systematically so as to increase the Hotel’s competitive advantage and achieve better business results.

To dispose the hotel’s non-current records in an organized, efficient and, where necessary, confidential way to stimulate quality management practices at all organizational levels.

To monitor and offer advice on the creation, maintenance, control and disposition of records throughout the organization.

To facilitate the identification and selection of material suitable for permanent preservation in the organization.
Table 14 showing types of variables used to measure performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>%ge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>15</td>
<td>41.7</td>
</tr>
<tr>
<td>Quality</td>
<td>5</td>
<td>13.9</td>
</tr>
<tr>
<td>Delivery time</td>
<td>6</td>
<td>16.7</td>
</tr>
<tr>
<td>Distribution</td>
<td>3</td>
<td>8.3</td>
</tr>
<tr>
<td>Communication</td>
<td>7</td>
<td>19.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: primary data.

From the above table, 15 out of 36 respondents (41.7%) argued that the best way to performance is as a result of the output realized and therefore, there should a continuous monitoring of controls in the organization as this enables responsible personnel to know what is actually involved in budgetary controls which benefits the organization in terms of improving on performance.

Out of 36 respondents (13.9%) revealed that for performance to be increased, those responsible and entrusted with controls should put much emphasis on setting the quality of both inputs and outputs.

It is also argued that 6 out of the 36 respondents (16.7%) revealed that reasonable delivery time should always be set to ensure that all staffs required to ensure controls, should be done on a regular basis.

3 out of 36 respondents (8.3%) indicated that there is a need to open up different distributions which reveals that as more distributions are opened, they will lead to increase in performance.

Also as indicated above in table, 7 out of 36 respondents (19.4%) argued that communication as a measure of performance should be improved either by use of customer care training which will create courtesy and respect hence creating repeat customers.
4.5. Relationship between budgetary control and performance.

Table 15 shows responses on the relationship between budgetary control and performance.

<table>
<thead>
<tr>
<th>Variables</th>
<th>frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>27</td>
<td>75</td>
</tr>
<tr>
<td>Agree</td>
<td>6</td>
<td>16.6</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data.

75% of the total respondents argued that there is a positive relationship between budgetary controls and organizational performance. This reveals that organizations which have fully adopted budgetary planning and controls are enjoying improved performance. 16.6% of the respondents revealed that, there are other factors that might affect performance other than budgetary controls. They argued that the process of budgeting depends on past performance while organizational performance now days depends on the availability of recourses and how customers view the customer service in place, quality of service, delivery and distribution, competitors in the same industry and finally communication to the clients.

Further still, 2.8% (1) of the respondents did not respond. It was not clear as to whether he disagreed or agreed that there is a relationship between budgetary controls and organizational performance in Kampala Serena Hotel.

Pearson’s co-efficient of correlation was used by the researcher to determine the strength of the relationship.
Table 16. Shows Pearson’s co-efficient correlation.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Budgetary control (X)</th>
<th>Performance (Y)</th>
<th>XY</th>
<th>X2</th>
<th>Y2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>24</td>
<td>27</td>
<td>648</td>
<td>576</td>
<td>729</td>
</tr>
<tr>
<td>Agree</td>
<td>9</td>
<td>6</td>
<td>72</td>
<td>81</td>
<td>64</td>
</tr>
<tr>
<td>Not sure</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>ΣX=36</strong></td>
<td><strong>ΣY=36</strong></td>
<td><strong>ΣXY=723</strong></td>
<td><strong>ΣX2=660</strong></td>
<td><strong>ΣY2=796</strong></td>
</tr>
</tbody>
</table>

Pearson’s co-efficient correlation is represented by the following formula:

\[
r = \frac{n\sum XY - \sum X \sum Y}{\sqrt{(n\sum X^2 - (\sum X)^2) (n\sum Y^2 - (\sum Y)^2)}}
\]

\[
r = \frac{5(723) - (36) (36)}{\sqrt{(5(660) - (36)^2) (5(796) - (36)^2)}}
\]

\[
r = \frac{3615 - 1296}{\sqrt{3300 - 1296} (3980 - 1296)}
\]

\[
r = \frac{2319}{\sqrt{(2004) (2684)}}
\]

\[
r = \frac{2319}{\sqrt{5378736}}
\]

\[
r = \frac{2319}{2319}
\]

\[
r = 1
\]
Using the rating level of;
0 to +0.3 = weak relationship.
+0.4 to +0.6 = moderate / Average relationship
+ 0.7 to +0.99 = Very strong relationship.
\[ r = 1 \] perfect relationship

From the computation got from Pearson’s co-efficient of correlation, the relationship between budgetary controls and organizational performance of Kampala Serena Hotel is perfect.

4.6. Factors affecting budgetary controls in Kampala Serena Hotel.
During the study, various factors affecting budgetary controls in Kampala Serena Hotel were identified by respondents as presented in the table below.

Table 17 shows response on factors affecting budgetary controls in Kampala Serena Hotel.

<table>
<thead>
<tr>
<th>Limitations</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price fluctuations due to inflation</td>
<td>18</td>
<td>50</td>
</tr>
<tr>
<td>Limited knowledge about budgetary control</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Changing business environment</td>
<td>4</td>
<td>11.1</td>
</tr>
<tr>
<td>Unexpected expenditures</td>
<td>3</td>
<td>8.3</td>
</tr>
<tr>
<td>Ever increasing cost of production</td>
<td>5</td>
<td>13.9</td>
</tr>
<tr>
<td>Diminishing shillings against the US dollars</td>
<td>3</td>
<td>8.3</td>
</tr>
<tr>
<td>Wastage by production staffs and stealing</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

As indicated above, 18 out of 36 respondents (50%) revealed that the budget process is affected by price fluctuations, 2 respondents (5.6%) indicated that limited knowledge about budgetary controls hinders its operations, 4 respondents
(11.1%) said to be the changing business environment as being part of the factors, 3 respondents (8.3%) revealed to be the unexpected expenditures, 5 (13.9) argued as being the ever increasing cost of production, Another 3(8.3) respondents revealed as the diminishing shillings against the US dollar and finally, 01(2.8%) stated to be the wastage by production staffs and stealing that affects the smooth running of operations of the budgetary controls of Kampala Serena Hotel.

Table 18 shows respondent’s responses on the suggested solutions to be addressed to the factors affecting the budgetary control process.

<table>
<thead>
<tr>
<th>Suggested solutions</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consideration of price changes while budgeting</td>
<td>25</td>
<td>69.4</td>
</tr>
<tr>
<td>Train and everyone on board</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Increase on supervision during production</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Change in the billing rate or revise the rates</td>
<td>8</td>
<td>22.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source**: Primary data.

From the above table, 25 out of 36 respondents (69%) argued that the best way to ensure active interest of responsible supervision and performance, there should be a continuous consideration of price changes while budgeting in the organization as this enables responsible personnel to know what are actually the prevailing market prices when formulating budgets hence benefiting the organization.

2 of the 36 respondents (5.6%) further identified that for the controls to be effective, management is supposed to train every stakeholder so as to make every body on board which will give enough knowledge about the subject. Besides the above 01 respondent (2.8%) argued that there must be increasing supervision during production so as to eliminate wastages, stealing/fraud and misuse which in turn may affect the budgeting process of Kampala Serena Hotel as a result of shortages created. 8 of the 36 respondents (22.2%) revealed that
there is need to change the billing rates for both local and foreign currencies and the menu prices for local dishes and imported wines by bottle to meet the set standards.

4.7 Discussion of findings

Behn (2003), pointed out that in order to evaluate performance, managers need to determine what an agency is supposed to accomplish. Kravchuk & Schack (1996), further added that evaluation process consists of two variables; organizational performance data and benchmark that creates a flame work for analyzing that data. For organizational information focus on the out comes of the agency's performance, but also including input/ environment/ process / output to have comparative flame work for analysis. As in order for organization to evaluate performance, it requires standards (benchmark) to compare its actual performance against past performance/ from performance of similar agencies / industrial standards / political expectations.

From the above two authors the researcher do concur with them due to the reason that in order to measure performance, any organization should compare both the current and previous sales as well as for other agencies.

Brownell (1982), suggests that when budgetary control is high, budgetary participation should increase accordingly. When budgeting control is riding subordinates would want to know assessment criteria in details. Therefore, as the budgetary control increases, budgetary participation of subordinates is also expected to increase. He advocates that budgetary participation is an important moderating variable in the relations between type of budgetary control and subordinate's performance. Brownell's (1982), stipulates that budgetary control have direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.
According to the institute of banking studies, Kuwait (1986) budgetary control is being limited/ suffered by the following;

Budgetary control is a subject to human judgment, interpretation and evaluation. The system necessitates forecasting which is surrounded with the risks of future uncertainties. It requires good and adequate standards and in some cases these are hard to develop at the same time, it requires skills, experience, and expenditure of time, money and effort to make this system to work successfully.

Krishna. (2010) stipulated that the biggest limitation of traditional budgetary control is that focuses primarily on expenses, paying little attention to the results obtained as the result of the expenses incurred. For example, the marketing manager may fail to cash on an opportunity to sell more by increasing the traveling of his sales persons because that will lead to travel expenditure exceed the budget.

Basing on the researchers findings, it is noted that what is pointed out in the above paragraphs clearly agrees with limitation given by the respondents.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.

5.0 Introduction
This chapter gives a summary of the major findings, conclusion and what the researcher recommends. The recommendations of the study were derived from the problem under study and the exact situation in Kampala Serena Hotel.

5.1 Summary of the study.
The topic of the study was the effect of budgetary controls on the performance of Kampala Serena hotel.
The need for budgetary controls in Kampala Serena Hotel, as a measure of organizational performance has made all departments apply the process comprehensively.
The study examined a number of objectives which included; to establish the procedures used in budget preparation, to establish the objectives of budgetary controls, to establish whether budgetary controls affect performance and to examine the factors affecting budgetary controls in Kampala Serena Hotel.

5.11 Procedures used in budget preparation.
The research revealed that Kampala Serena Hotel has got a budget committee in place that consists of senior members of management with the General Manager as a chairman and all departmental heads as members of committee and respondents gave a number of functions of the budget committee which include among others the following; issuing of a budget manual, coordination of preparation of the budget, issuing of timetable for preparing budgets normally three months prior to the end of the year, provision of information necessary for budget preparation, receive and review departmental budgets, suggestion of changes, preparation of the master budget, comparison of actual results with targets, investigation of variances, evaluating and reporting of actual
performance and this process has helped the organization in the implementation of the budget process.

### 5.1.2 Objective of budgetary controls

With reference to the objectives of budgetary controls, the researcher also found out that the major objectives of budgetary controls in Kampala Serena Hotel is to ensure that there is a reporting system which informs management of any function such as sales revenue, operating expenses and cost of sales among others, that is not operating according to the predetermined plan and hence allow corrective action to be taken.

The research study also revealed objectives of budgetary controls in Kampala Serena hotel, as to enable planning as a basis for decision making and to ensure that departmental managers are responsible for the operation of their own departments as this will force management think ahead to anticipate what is likely to happen, and to ensure controls in place so that the set targets and objectives of the organization are achieved.

### 5.1.3 Effect of budgetary controls on performance.

On establishing whether budgetary controls affect performance, the research study revealed that there is positive impact of budgetary controls on the performance of Kampala Serena Hotel and respondents forwarded a number of advantages which include among others, as aiding management in planning and coordinating their efforts, ensures controls, so that plans and objectives laid down in the budgets are achieved, budgeting acts as a motivator to staffs when targets are met, increases production efficiency, eliminates waste and controls costs, coordinates the activities of the various departments as far as hotel operations are concerned, compels managers to think ahead to anticipate and prepare for the changing environment and finally provides a yardstick against which actual results are compared with.
5.1.4 **Relationship between budgetary controls and organizational performance.**

The researcher also found out that there is a substantial relationship between budgetary controls and performance. Therefore, management of Kampala Serena Hotel should try to address the problems that hinder the attainment of the set targets.

5.1.5 **Factors affecting budgetary controls and performance.**

In establishing and examining the limitations of budgetary controls in Kampala Serena Hotel, the research study revealed some factors affecting budgetary controls such as price fluctuations due to inflation which leads to increase in the cost of raw materials hence affecting the cost of production, limited knowledge about budgetary controls, changing business environments, unexpected expenditures, diminishing shillings against the US dollars and wastage by the production staffs and stealing which in turn affects the achievement of the set targets.

The research study also revealed that, there are other factors that influence organizational performance other than budgetary controls, and these includes; Resources available to the organization in terms of both human and non human whereby money capital and human resources are very important to facilitate operations and hence improved performance.

Recruitment policies in Kampala Serena Hotel were also found out to be a major factor to performance in a sense that these policies determine the quality of the personnel which in turn determine the quality of output produced.

The research study also revealed that labor turnover is a factor to performance. Respondents argued that the workforce should be made stable and motivated at all times.
The research study also revealed that organizational control and communication channels should be made effective to encourage the smooth flow of information in the organization to encourage performance.

5.2 Conclusion
From the research study findings, budgetary controls are seen as important tools in planning and control of resources to enhance performance in many organizations. However, other factors like, good quality of employees, ability of management to lead and direct, the availability of resources in terms of capital and human resources among others must be blessed with management, in addition to budgetary controls to encourage effective performance.

5.3 Recommendations of the study.
The recommendations regarding budgetary controls include;
All employees should be motivated to make them strive and achieve the set targets.
The process of budgetary controls in Kampala Serena Hotel should be very comprehensive covering all departments and sections as this will enable management to effectively implement budgetary controls.
Budgets should also be realistic by not only putting much concentration on past performance but also reflect how the future is likely to be, given the current conditions.
Also, Kampala Serena Hotel should look at other factors that directly affect performance. These include availability of qualified personnel to implement the budget, the level of technology applied and the effect of changes in demand.
Communication methods in Kampala Serena Hotel should be improved. Many organizations don’t have well defined channels of communication and this makes it difficult for employees not to fully understand the rationale of budgetary controls.
Lastly, seminars and reviews should be continuously conducted at departmental and section levels to enable the organization evaluate the set targets easily.

5.4 **Suggestions for further research.**

More research studies should be conducted to understand the impact of cost management and organizational performance. Also, future research should seek to establish the relationship between the sales force and organizational performance.
QUESTIONNAIRE

Questionnaire for evaluating the Effect of Budgetary controls on the performance of Kampala Serena Hotel.

Dear respondent,

This Questionnaire is prepared for the sole purpose of obtaining information about the effect of budgetary controls on the performance of business organizations, taking a case study of Kampala Serena Hotel and you have been selected to be part of the sample. The study is purely for academic purposes and the information obtained will be treated with the highest degree of confidentiality.

In order to achieve the aims and objectives of the study, the researcher kindly requests you to provide appropriate information for the questionnaire below:

Tick or fill where appropriate.

SECTION A.

RESPONDENTS PERSONAL DATA.

1. Department. ...........................................

2. What is your Position in the organization?
   .................................................................

3. Gender

<table>
<thead>
<tr>
<th>Single</th>
<th>Married</th>
<th>Divorced</th>
<th>Widowed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. How long have you worked with Kampala Serena hotel?

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>1 to 2 years</th>
<th>2 to 4 years</th>
<th>Above 4 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>20 to 25 years</th>
<th>26 to 30 years</th>
<th>31 to 35 years</th>
<th>Above 35 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SECTION B:**

**ESTABLISHING THE LEVELS OF BUDGETARY CONTROLS IN KAMPALA SERENA HOTEL.**

7. Refer back to the beginning of the year, have you discussed with your subordinates about the goals to be met?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Not sure</th>
<th>Not Necessary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Do you think budgets motivate managers to achieve objectives and thereby establish control within Kampala Serena hotel?
9. In your opinion, do budgetary controls contribute positively to the performance of Kampala Serena hotel?

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. If the answer above is yes, to what extent in terms of percentages.

<table>
<thead>
<tr>
<th>Less than 10 %</th>
<th>10 to 20%</th>
<th>20 to 30 %</th>
<th>30 to 50 %</th>
<th>Above 50 %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Others (please State)………………………………………………………………………

11. In your own view, to what extent do you agree that budgetary controls assist management assess the level of performance?

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. If you agree, how do you evaluate the performance of Kampala Serena hotel?

<table>
<thead>
<tr>
<th>Very good</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Very poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. Do you think Budgeting could have contributed to this?
14. How do you see the performance of Kampala Serena Hotel in the next 5 years to come?

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Increasing | Remaining Constant | Reducing | Don’t know
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Others (specify)……………………………………………………………………

SECTION C

LEVELS OF PERFORMANCE IN KAMPALA SERENA HOTEL.

Tick or fill where appropriate.

15. How are your current sales compared to the previous years?

<table>
<thead>
<tr>
<th>Increased</th>
<th>Decreased</th>
<th>Remained Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Others (specify)……………………………………………………………………

16. How are your current expenditures compared to the previous years?

<table>
<thead>
<tr>
<th>Increased</th>
<th>Decreased</th>
<th>Remained Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Others (specify)……………………………………………………………………

16. Are your sales and expenditure according to the budgets/targets?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Others (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17. If the answer is no, what corrective action have been taken to ensure expenses and sales, are according to the budget?

........................................................................................................................................

55
18. Comparing your business with competitors in the same industry, how do you rate the performance of Kampala Serena hotel?

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Average</th>
<th>Good</th>
<th>Below average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. In the Table below provided, indicate whether the variables pointed out can be used to measure performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delivery time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SECTION D:**

**ESTABLISHING AND EXAMINING THE LIMITATIONS OF BUDGETARY CONTROLS IN KAMPALA SERENA HOTEL.**

20. Briefly give possible limitations if any, affecting budgeting and budgetary controls in Kampala Serena hotel.
   a) .................................................................................................................
   b) .................................................................................................................

21. In your view, how can the above limitations be addressed to make budgets and budgetary controls more significant?
   a) .................................................................................................................
   b) .................................................................................................................

Thank you very much for being part of this academic research.
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