

The mandated approach to budget design involves top-level management dictating budget allocations without input from lower levels. This method is a good approach to ensure quick decision-making and alignment with overall organizational goals. However, this can lead to resentment and disagreement among employees and may overlook valuable insights from the employees who are closest to day-to-day operations. According to a study by Shields and Shields (1998), Top-down budgeting can end up in unrealistic targets and decrease motivation among lower-level managers.

In contrast, the participative approach needs involvement of employees at various levels in the budgeting process. This method fosters a sense of ownership and can lead to more innovative solutions. It also helps in improving communication between departments. However, it can be lengthy and time-consuming and sometimes may result in conflicts between competing interests. Research by Nouri and Parker (1998) revealed that budget participation is often positively associated with job performance and job satisfaction.

The blended approach combines elements of both mandated and participative methods. Upper management provides overall guidelines and targets, while allowing input and flexibility at lower levels. This approach aims to balance efficiency with employee engagement. It can be challenging to implement effectively but often results in more realistic and achievable budgets.

Each approach has its merits and drawbacks. The mandated approach offers speed and clarity but may sacrifice employee buy-in. The participative approach increases engagement but can be

inefficient. The blended approach seeks a middle ground but requires skilled management to execute well.

In my opinion, the blended approach often proves most effective for many organizations. It has room for strategic direction from leadership while incorporating valuable insights from the front-line workers. However, the best approach ultimately depends on an organization's specific needs, culture, and goals. However, factors such as company size, industry volatility, and management style all play important roles in determining the most suitable budgeting method.

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