

Determinants of company adoption of budgetary procedures:

Top - down or Bottom - up budgeting?

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Working paper: please do not distribute it without consent of the corresponding author

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Version: May 2015

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Abstract

In this paper we explore the meaning and determinants of companies' adoption of top-down/ bottom-up budgetary procedures.

Building on the management accounting literature on the advantages of various budgeting procedures, we first identify three formal design characteristics that together summarize companies' position on a continuum from top-down to bottom-up budgetary procedures. Then, using questionnaire data from a sample of 141 middle-large companies operating in Italy, we analyze the antecedents of these sets of characteristics to explain the likelihood that companies' adopt a certain position on the continuum of procedures.

Overall we find that company's position on the continuum of procedures depends on antecedents related to the variety and the analyzability of business units' activities, and to the uncertainty and the competitive pressure of the external environment.

Keywords

Budgetary procedure; top-down; bottom-up; budgeting, budget process.