International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

# If Managers Feel Safe, Budget Control Becomes Enabling: Evidence from Organizational Studies

**Muhammad Nur Abdi[1], Arfandi[2]**
[1]Management Study Program, Faculty of Economics and Business, university of muhammadiyah makassar
[2]Accounting Study Program, Faculty of Economics and Business, university of muhammadiyah Sorong

Coresponding author : mnurabdi@unismuh.ac.id/ arfandi7387@gmail.com

**Abstract**

*This study aims to explore how managers' perceptions of budget control systems can enhance the role of budgets as a tool for empowerment, rather than merely a tool for supervision. The study also identifies the most influential psychological climate elements and factors shaping individual perceptions of budget control systems that can be improved, made more flexible, and transparent. Using a qualitative ethnographic approach, primary and secondary data were collected through observation, in-depth interviews, and document analysis. Data and method triangulation were used for validation. Key informants were budgeting and tax managers at PT. XYZ. Research Findings: Safe Psychological Climate: Managers and employees who feel safe actively participate in budget preparation and evaluation, view the system as fair and transparent, and reduce budgetary slack. Open two-way communication is the most crucial element for flexibility and transparency. Improveable Control System: A control system is considered improveable if it is flexible, open to feedback, and adaptive. Individual Perception: Influenced by individuals, work experience, corporate culture, communication, clarity, and commitment. Transparent communication enhances system flexibility, and a flexible organizational culture is crucial, especially globally. Conclusion: A safe psychological climate, characterized by trust, fair procedures, open communication, and the absence of threats, is a crucial foundation for an adaptive, flexible, and transparent budget control system. Positive manager perceptions are essential in enhancing the role of the budget as an empowerment tool.*



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**Keywords: budget control system; role of budget; budget control**

## INTRODUCTION

In an increasingly complex and dynamic business world, budget control has become an important tool in organizational management. According to a report from Deloitte (2022), 70% of global companies consider budget control to be a key element in their managerial strategies. However, while budget control is often seen as a monitoring tool, recent research suggests that managers' perceptions of this system can transform its function into a more effective empowerment tool. This raises an important question: how can managers' perceptions influence the role of budget control within an organization?

This phenomenon is increasingly relevant amid the challenges faced by many organizations, particularly in the context of economic uncertainty and rapid changes in the business environment. A study by Klynveld Peat Marwick Goerdeler KPMG (2023) shows that 60% of managers feel pressured by the demands to meet budget targets, which often leads to a more rigid approach and strict oversight. However, if managers feel secure and supported by a transparent budget control system, they are more likely to be open to innovation and take the risks necessary to achieve organizational goals.

Previous research has shown that psychological safety in the workplace plays an important role in improving individual and team performance. According to Edmondson (2019), in his book “The Fearless Organization,” a safe environment allows employees to share ideas and contribute actively without fear of negative consequences. In the context of budget control, if managers feel that the system supports them rather than merely monitors them, they are more likely to use the budget as a tool to empower their teams. Furthermore, research by Hirst and Mann (2021) shows that managers who have a positive perception of the budget control system tend to be more proactive in planning and managing resources. They do not see the budget as a limitation, but as a guide that allows them to explore new opportunities. This shows that budget control can serve as an empowerment tool when managers feel safe and supported.

However, despite evidence showing a positive relationship between managers' perceptions and the use of budget control as an empowerment tool, there is still a lack of literature that examines this phenomenon in depth. Existing research often focuses on the technical aspects of budget control without considering the psychological dimensions that influence managers' perceptions. According to Kurniawan and Rahardjo (2023), a better understanding of the psychological factors that influence managers can help in



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designing more effective budget control systems. Additionally, research by Santoso (2022) shows that manager involvement in the budget control process can enhance a sense of ownership and responsibility, which in turn strengthens the role of the budget as an empowerment tool.

Furthermore, research by Pramudito and Sari (2023) emphasizes the importance of effective communication in budget control systems, which can influence managers' perceptions of the objectives and benefits of budget control. This shows that the social and interactive dimensions of budget management need to be considered in order to improve its effectiveness. Therefore, this study aims to fill this gap by exploring how managers' perceptions of budget control systems can enhance the role of budgets as empowerment tools, taking into account relevant psychological and social factors. Using a qualitative approach and in-depth interviews with budget managers at company XYZ, this study will provide deeper insights into how psychological and organizational factors interact in the context of budget control. It is hoped that the findings from this study will not only enrich the existing literature but also provide practical recommendations for organizations to design more effective and empowering budget control systems.

## LITERATURE REVIEW

Budget control is a crucial process in financial management, which aims to ensure that an organization's expenditures and revenues are in line with established plans. According to Sari and Prabowo (2022), effective budget control not only improves the efficiency of resource use but also strengthens accountability in public financial management. This shows that budget control serves as a strategic tool for achieving organizational goals and increasing public trust.

In the context of the public sector, budget control plays an important role in optimizing the allocation of funds for programs that have a direct impact on the community. Research by Rahmawati (2023) shows that the implementation of a good budget control system can help government agencies respond to community needs more quickly and accurately. Thus, good budget control contributes to improving the quality of public services and achieving better development goals.

However, challenges in budget control often arise due to changing economic conditions and uncertain policies. According to research by Setiawan (2023), many organizations face difficulties in adjusting their budgets to changing needs. Therefore, it is important for organizations to develop a flexible and responsive budget control system so that they can adapt to the dynamics of the environment.


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Budgeting as a tool for empowerment plays an important role in increasing the capacity of individuals and communities to achieve economic and social goals. According to Mardiasmo (2021), a well-designed budget can provide opportunities for the community to participate in the decision-making process, thereby promoting community empowerment. By involving the community in budget planning and management, organizations can ensure that the needs and aspirations of the community are accommodated, which in turn increases a sense of ownership and responsibility for the programs being implemented.

In the context of sustainable development, budgets also serve as instruments to support economic empowerment initiatives. Research by Sari and Hidayati (2022) shows that appropriate budget allocations for training and skills development programs can improve the community's ability to create jobs and increase income. Thus, budgets not only serve as financial management tools, but also as a means to empower communities to achieve economic independence. However, challenges in implementing budgets as a tool for empowerment often arise due to a lack of transparency and accountability in budget management. According to research by Prasetyo (2023), many empowerment programs fail to achieve their intended goals due to a lack of community participation and weak oversight. Therefore, it is important for governments and non-governmental organizations to create mechanisms that ensure active community participation in the budget process, so that the budget can truly function as an effective empowerment tool.

The budget as a monitoring tool plays a very important role in ensuring that financial resources are used efficiently and effectively. According to Supriyadi (2022), the budget not only functions as a financial plan, but also as an instrument for monitoring the implementation of planned activities and programs. With a budget in place, organizations can monitor the realization of expenditures and revenues, as well as evaluate performance based on predetermined indicators. This enables management to take corrective action if there are deviations from the established plan.

In the context of government, budgets serve as an important oversight tool for improving public accountability. Research by Wibowo and Sari (2023) shows that transparency in the budget preparation and implementation process can increase public trust in the government. By involving the public in budget oversight, the government can ensure that public funds are used for the benefit of the community and reduce the potential for abuse of authority. Therefore, good budget oversight can contribute to improving the quality of public services and better financial management. Challenges in budget oversight often arise due to a lack of capacity and resources to conduct effective


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oversight. According to research by Setiawan (2023), many organizations face difficulties in implementing adequate oversight systems, which can lead to non-compliance with budgets. Therefore, it is important for organizations to develop strong oversight mechanisms and involve various stakeholders so that budgets can function optimally as oversight tools.

## RESEARCH METHODS

This research is based on qualitative research with an ethnographic approach. This approach is considered appropriate because the researcher wants to observe and understand the organizational culture and how it affects managers' sense of security and budget control. This research uses primary and secondary data sources obtained through observation, in-depth interviews, and documentation studies. To verify the validity of the data, data source triangulation and analysis methods were used with an interactive model. The informant is a manager in the field of budgeting and taxation with a job description that includes evaluating and controlling budgets and preparing tax plans to align with budgets based on activities at the central company PT. XYZ, which oversees several subsidiaries.

## RESEARCH RESULTS AND DISCUSSION

### Research Results

### A Safe Psychological Climate Can Support Control Systems.

A safe psychological climate is a key factor in creating a work environment that supports the effectiveness of control systems within an organization. When employees feel safe to express their opinions, provide feedback, and ask questions without fear of negative consequences, they are more likely to actively participate in the control process. According to Edmondson (2022), an environment that supports openness and honesty can enhance collaboration among teams, which in turn strengthens the implementation of existing control systems. In this context, a positive psychological climate not only improves individual performance but also contributes to the achievement of the organization's overall goals.

However, critical phenomena often arise when the psychological climate is not supportive, which can hinder the effectiveness of control systems. Research by Zhang and Liu (2023) shows that uncertainty and fear of negative evaluation can cause employees to be reluctant to report problems or share important information needed for proper decision-making. This can result in failures in budget control and risk


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management, as well as reduce the organization's ability to adapt to environmental changes. Therefore, it is important for management to create and maintain a safe psychological climate so that the control system can function optimally and support the organization's success in facing existing challenges.

How do managers' and employees' feelings of safety influence their perceptions of existing control systems? This question aims to explore the relationship between a safe psychological climate and individuals' views of control systems, and whether they see them as tools that can be improved or not. informant interview responses:

> "Managers and employees who feel secure will actively participate in budget preparation and evaluation. In fact, many of them believe that the budget control system is implemented fairly and transparently, which minimizes budgetary slack or budget manipulation. If managers and employees feel valued and secure, their commitment to the organization increases, which has a positive impact. Conversely, if there is strict budget control, this can also create pressure that may cause managers and employees to become stressed, which can be detrimental."

What are the elements of a safe psychological climate that most influence the creation of flexibility and transparency in control systems? informant interview responses:

> "There are several safe psychological climates in budget control, such as: trust between teams, fair and professional procedures, preparation, control, and use of the budget without threats, and active and open two-way communication. Among these elements, the most influential in creating flexibility and transparency in the budget control system is open two-way communication. This is because the results of communication serve as a bridge between policy and implementation. Communication can prevent miscommunication and/or misinterpretation, thereby accelerating responses to changes or needs."

In what contexts can control systems be considered improvable, and how does a safe psychological climate contribute to the improvement process?

> "A control system can be considered a system that can be improved when it is flexible, open to feedback, and capable of adapting to internal and external changes, and when those changes are made at certain times and adjusted to the conditions available at that time (whether they be systems, structures, markets, etc.)."


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**Individual Perceptions Of The Capabilities Of The Budget Control System**

Individual perceptions of the effectiveness of budget control systems play an important role in the effectiveness of an organization's financial management. When employees have a positive view of budget control systems, they tend to be more committed to following established procedures and policies. According to Mardiasmo (2021), a positive perception of the budget control system can enhance individual responsibility in resource management and encourage active participation in the budget planning and monitoring process. Conversely, if individuals perceive the budget control system as ineffective or lacking transparency, this can reduce their motivation and engagement, ultimately negatively impacting organizational performance.

However, critical phenomena often arise when there is a gap between individual expectations and the reality of the existing budget control system. Research by Setiawan and Rahmawati (2023) shows that dissatisfaction with the budget control system can lead to resistance to change and disregard for established procedures. This can result in errors in budget management and increase the risk of resource misuse. Therefore, it is important for management to understand individuals' perceptions of the budget control system and identify the factors that influence those perceptions, so that they can create a system that is more effective and responsive to the needs of the organization.

What factors influence individuals' perceptions of the controllability of the system, and how do these factors interact with their work experience? The informants' answers are as follows:

> "Factors that can influence this are: 1.Employees/individuals 2.Work experience 3.Company culture and/or employees 4.Communication 5. Clarity and commitment. Managers and experienced employees already understand the company's business conditions and flow. In addition, those with high integrity and commitment to every improvement and development certainly believe that the system can be improved and they also have a much better understanding of the form and to whom to communicate."

How does transparency in communication and decision-making processes affect employees' perceptions of the flexibility of control systems?

> "When information is shared openly and decision-making involves various parties, employees tend to view the control system as something adaptive and developable rather than rigid. This can happen because openness and involvement of other parties can increase trust and encourage active participation


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and initiative for every improvement or change. Not least, this can increase accountability and fairness."

In a global context, how do organizational cultural differences across locations influence perceptions of control systems as improvable and flexible tools?

"In line with our previous explanation, one of the factors in the preparation, control, and use of the budget is culture. In the organizational culture dimension, a flexible culture is essential to drive system improvements by involving all parties to remain open and consistently provide feedback. This can be achieved through open two-way communication, which is vastly different from a rigid culture that tends to avoid risks, leading to an authoritarian leadership style that is closed to communication."

## DISCUSSION

The Role of Two-Way Communication: Research findings critically highlight that among the various elements of a safe psychological climate, open two-way communication is the most influential factor in creating flexibility and transparency in budget control systems. This communication serves as a bridge between policy and implementation, preventing misunderstandings and accelerating responses to change. This finding is particularly important because the communication aspect of budget control is often overlooked in favor of technical aspects.

Flexibility and Adaptability of Control Systems: This research effectively discusses how control systems can be considered as systems that can be improved. The findings show that a flexible system that is open to feedback and capable of adapting to internal and external changes is key. A safe psychological climate contributes to this improvement process by encouraging innovation and continuous improvement. This challenges the traditional view that control systems are static and rigid.

Factors Affecting Perception: This study identifies important factors that influence individuals' perceptions of the ability of control systems to be improved, namely individuals/employees, work experience, corporate culture, communication, and clarity and commitment. Critically, the findings emphasize that managers and employees who are experienced, have high integrity, and are committed will be more confident in the system's ability to be improved. This indicates that human factors and organizational culture have a greater impact than the system design itself.

Transparency and Flexibility: The findings show that transparency in communication and decision-making processes significantly influences employees'


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perceptions of the flexibility of control systems. Information that is communicated openly and involves various parties will make employees see the system as adaptive and developable, rather than rigid. This increases trust, active participation, accountability, and fairness.

The Impact of Global Organizational Culture: This study critically acknowledges that differences in organizational culture across locations influence perceptions of control systems as tools that can be improved and made more flexible. A flexible culture that encourages open two-way communication will be more supportive of system improvement than a rigid and authoritarian culture that tends to be closed to input. This highlights the importance of considering cultural context when designing and implementing budget control systems, especially in multinational organizations.

Overall, this study successfully achieved its research objectives by providing deep insights into the complex interactions between a safe psychological climate, individual perceptions, and the effectiveness of budget control systems. These findings critically highlight that the success of budget control does not only depend on technical aspects but is also significantly influenced by psychological, social, and cultural dimensions within the organization.

## CONCLUSION

This study concludes that a safe psychological climate, characterized by trust, fair procedures, open two-way communication, and the absence of threats, is a crucial foundation that enables the budget control system to function in an adaptive, flexible, and transparent manner. Key findings consistently show that when managers and employees feel psychologically safe, their perceptions of the control system change significantly; they tend to view it as a tool that can be improved and developed, rather than as a rigid constraint. This condition directly encourages active participation in budget preparation and evaluation, minimizes budgetary slack, and substantially increases organizational commitment. Furthermore, this research confirms that managers' positive perceptions of the budget control system are essential in enhancing the role of the budget as an empowerment tool, transcending its traditional function as merely a monitoring tool.

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