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The Influence of Contingency Factors on the Development of a Budgeting System in a Brazilian Textile Manufacturing Company

Influência dos Fatores Contingenciais no Desenvolvimento do Sistema Orçamentário em uma Empresa Brasileira de Manufatura Têxtil

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Abstract

This research aims to investigate how contingency factors influenced the evolution of the company and its budgeting system in a Brazilian textile industrial organization. We used the contingency theory to understand the effect that changes in the environment, strategy, structure, technology and size have on management control systems. Through a case study in a textile company located in southern Brazil, which has 4,000 employees and 400 cost centers distributed in eight manufacturing plants, we obtained evidence concerning the propositions that contingency factors influence the development of the company, therefore, define, and characterize the budgeting system, the typology, components and reasons for use. From the triangulation of interviews, document analysis, questionnaires and observation, we can observe that the environment was the main agent in the evolution of the company, forcing the company to redirect through a strategic renewal, guided by an outside consultant. After implementing the strategic renewal, the company obtained an increase in revenue, number of stores and production volume. These improvements were marked in budget practice changes, turning to the approach zero-based and middle-up guidance. To the reasons for use were incorporated the strategy formation, besides operational planning and performance evaluation.

Keywords: Budget; Environment. Strategy; Structure; Technology.

Resumo

Esta pesquisa tem como objetivo investigar como os fatores contingenciais influenciaram a evolução da empresa e seu sistema orçamentário em uma organização industrial têxtil brasileira. A Teoria da Contingência tem sido utilizada para compreender o efeito que as mudanças no ambiente, na estratégia, estrutura, tecnologia e tamanho tem nos sistemas de controle de gestão. Por meio de um estudo de caso em uma empresa têxtil localizada no sul do Brasil, que possui 4.000 funcionários e 400 centros de custos distribuídos em oito plantas fabris, obteve-se evidencias acerca do pressuposto de que os fatores contingenciais condicionam a evolução da empresa, e, por consequência, definem e caracterizam o sistema orçamentário, quanto à tipologia, componentes e razões de uso. A partir da triangulação de entrevistas, análise documental, questionários e observação, pode-se observar indícios de que o ambiente foi o principal agente na evolução da empresa, forçando a empresa a se redirecionar por meio de uma renovação estratégica, orientada por uma consultoria externa. A empresa cresceu após a renovação estratégica, a qual conduziu a um aumento no faturamento, ampliação no número de lojas e volume de produção.

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Estas mudanças foram marcantes na alteração da prática orçamentária, passando para abordagem base zero e orientação middle-up. Às razões de uso foi incorporada a formação da estratégia, além do planejamento operacional e da avaliação de desempenho.

Palavras-chave: Orçamento; Ambiente; Estratégia; Estrutura; Tecnologia.

1. Introduction

Management accounting has presented innovations in practices that seek to build a proper set of information so that decision makers are able to conduct business within its competitive environment. One of the management tools used to ensure the competitiveness was the practice of budget setting, which can ensure control and provide the information necessary for the decision-making process (HANSEN; OTLEY; VAN DER STEDE, 2003). Within the research, the contingency approach has been related to management artifacts, especially the budget. Ever since the pioneering studies on contingency, as those by Woodward (1958) and Burns and Stalker (1960), the effects of contingencies on organizations have drawn the attention of researchers up until Chenhall (2003), who conducted a study on the developed papers based on contingency theory.

The growing importance of the budget on daily business has driven many authors to research the issue and raise new research questions. Several authors have related contingency to budget, including Tillema (2005) and Covaleski et al. (2006).

Thus, by considering the development of detailed studies of the factors that play a significant role in structuring the corporate budgeting system as necessary, we established the objective to investigate how the contingency factors influenced the evolution of the company and its budgeting system in a Brazilian textile industrial organization.

The relevance of this study is established due to the evolution of companies' current management accounting practices, and in particular, to the importance of implementing the budget setting practice in contemporary business (COVALESKI et al., 2006). The fact that there is nothing absolute and immutable in business is the main basis of the contingency theory, as there are many factors that could possibly change the reality of organizations (ESCOBAR; LOBO, 2002).

The article is organized into five sections. After this introduction, we present the theoretical framework of the study, which supports the propositions of the research. The third section covers the methods and research techniques used for the study. In the fourth section, we present the analysis of the results with the answers of respondents, the main findings on the relationship between contingency and the budgeting system. The fifth section explains the final considerations related to the practice of budget setting from the perspective of contingency approach.

2. Studies from Contingency Theory applied to the budget

Related studies conducted so far show that there is a relationship of interaction and interdependence between the contingent variables. There is also a clear distinction that places the environment as a contingency variable and identifies other external contingency variables such as internal structure, size, technology, strategy and structure. Studies as the ones by Dill (1958), Woodward (1958), Chandler (1962), Woodward (1965), Lawrence and Lorsh (1967), Perrow (1967), Thompson (1967), Khandwalla (1972), Gordon and Narayanan (1984) point out that changes in internal and external contingency variables influence all others. The interdependent relationship between the contingent variables requires organizations to seek an appropriate fit, responsible for leading the company to a better result (WOODWARD, 1965; LAWRENCE; LORSCH, 1967, DRAZIN; VAN DE VEN, 1985).

Several studies have adopted contingency theory to explain phenomena related to the budget process (BRUNS; WATERHOUSE, 1975; MERCHANT, 1981; BROWNELL; MERCHANT, 1990; ROSS, 1995; HALDMA; LÄÄTS, 2002; SHARMA, 2002, HANSEN; VAN DER STEDE, 2004).

Bruns and Waterhouse (1975) explored the relationship between organizational structure and budget. The results show that the behavior of managers in relation to the budget is contingent on various aspects of organizational structure, such as centralization, autonomy, and the degree to which activities are structured.

Merchant (1981) sought to establish relations between contingency variables, budgetary variables, including manager's behavior, and organizational performance. Among the findings, the author reported that larger companies tend to use more formal administrative controls. In all the surveyed companies, a more formality of communications and budget system sophistication tends to be better accepted by managers, and in large companies, there are evidences that the budget process seems to be positively associated with performance.

Brownell and Merchant (1990) examined how the automation process (process dimension) or standardization of production (product dimension) influenced the relationship between budget participation, budget flexibility and performance of departments. The results show that the size of the product significantly affects the relationship between each of the two budgetary variables, which is not found in the dimension of the process.

Roos (1995) observed the relationship between the environment of uncertainty, job tension and emphasis on budget for performance evaluation. One finding shows that in conditions of high uncertainty, it is difficult to achieve budgets. Thus, it is not reasonable to treat the budget variances rigidly, but instead, to use a more flexible approach, based explanation for budget variations.

The research of Haldma and Lääts (2002) aimed to investigate the main impacts of management control practices in industrial enterprises in Estonia, considering the contingency theory approach. They noted that the effectiveness of a management accounting system design depends on its ability to adapt to changes in external conditions and factors. The authors found evidence that changes in cost and management accounting practices are associated with changes in the business and accounting environment, and also with technology and organizational aspects (HALDMA; LÄÄTS, 2002, p. 379).

Sharma (2002) investigated the influence of contingency variables on the characteristics of budgeting systems used in hotels. The uncertainty of the external environment was measured in three dimensions: turbulence, competition and unpredictability, and the size of each hotel was measured by the number of rooms. The findings reveal that different dimensions of the perceived environmental uncertainty affect budgeting systems characteristics differently, understood as the extension and use the budget for communication, planning, evaluation of performance and control.

Baines and Langfield-Smith (2003) used the structural equation modeling to evaluate the relationships of changes in the competitive environment and other variables as antecedents of organizational changes in management accounting. The results indicated that a more competitive environment led to greater focus on differentiation strategies which, in turn, have influenced changes in organizational design, manufacturing technology and advanced management control practices.

The study by Hansen and Van der Stede (2004) addresses the organizational strategy, and according to Porter (1980), the structure as antecedents to the budgeting process. The study shows that organizations use the budget for strategy formation when they are departmentalized; pursuing a differentiation strategy, working on job-shop production and competitive environments.

Collin, Bengtesson and Tjombrant (2007) tested their work on a model in which contingent factors pertaining to the environment, the characteristics of the corporation and the management control system, could influence the functionality of the budget (coordination, and evaluation responsibilities). They found evidence that the most important characteristics is the coordination of the budget, and that this is driven by external factors such as turbulence and competitive intensity.

The results of the studies mentioned that there is evidence that the budget process fits the contingencies in the environment. Depending on the contingency factors in which the company is submitted in, the budget process has certain characteristics that will allow a better fit, directly reflecting the performance of the organization.

From the contingency theory approach, we evaluate the following proposition in this study: The contingency factors such as environment, structure, size, strategy and technology influence the development of the company, and therefore, define and characterize the budgeting system, as the types (NEELY; SUTCLIFF; HEYNS, 2001), components (SHARMA, 2002) and reasons for use (HANSEN; VAN DER STEDE, 2004).

3. Methodology

The case study is a research method often applied in management accounting (VAN DER STEDE; YOUNG; CHEN, 2005). Yin (1994) explains that the case study is not only a way to collect data nor just a feature of the research design, as a matter of fact, it is a comprehensive research strategy. However, Yin (1994) and Stake (2005), provide a structure that shows the sequence of steps, tactics validation and testing of a case study.

The company chosen for the case study presents features such as: being located in southern Brazil, founded approximately 100 years ago, with over 4,000 direct employees, with its management accounting and financial departments comprising about 30 professionals; it has operations in the industry and private label retail, its franchise network and strong exports have even franchised stores in Latin America and the Middle East, it opened its capital to the market, and it diffuses consolidated budgeting practices.

The study protocol was developed in four phases. In the first phase we visited the chosen company. In one visit, we were able to enter in the administrative area and get to know a little of its structure. Thus, a conversation with the company's controller was scheduled.

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The second phase was our initial contact with the controller, which lasted an hour and a half, in which he clarified the objectives of the study and presented a letter of request to authorize the research. With the letter, the professional was able to view the ethical procedures involved in the research and then the controller was responsible to report this letter to the upper echelons of the company.

There was a confirmation that the company's procedures regarding its budget practice were subject to investigation, because the company makes use of the artifact and has a human and technological structure to conduct the specific budget system.

With the approval to develop the research, we began our search for more company information (phase three of the protocol). Thus, we collected data on the history and characteristics of the company, through its *website,* institutional documents and publications collected on the BM&FBOVESPA's *site*. There was also a request for the current organizational chart of the company, which was presented by the controller.

The company develops its administrative and financial activities in two different regions. In the Southeast, is where the headquarter, the *marketing* board structure and customer relations (CRM) are located, while five other directors, 44 managers and area coordinators are in the South.

The industrial board is managed in southern Brazil, however, the company has its eight manufacturing plants distributed over three regions: four in the South, three in the Midwest and one in the Northeast.

In the fourth phase we prepared to collect data. The selection of respondents was done in conjunction with the company, and the interviews were determined with the *controller,* the coordinator of budget and budget analyst; the interviews were recorded.

The possibility of observing the method for budget worksheets completion and operation of the module in the budget management system (ERP) was approved, as well as reading the manual of the budget. Moreover, from the researcher's confidentiality undertaking, it was established the possibility that in a second moment, defined by the company, the views of one employee and 18 managers could be collected through questionnaire sent by *e- mail.*

Among the limitations of this research, using a single case study is conditioned to a specific segment, which does not allow generalizations to be made to the context of other companies. However, considering such findings is justified, to deepen and better understand the issue in the necessary practical application.

Another limitation is that even with the collaboration of the company, we were not able to access some documents needed for the full understanding of the budget system, nor extending the questionnaires to all directors participating in this process. An important point is that we cannot say that all relationships have been detected in this study, just as other relationships may be detected as contingencies results in other organizations (GERDIN; GREVE, 2004).

4 Results

The results and analysis have been organized into three steps: (i) the influence of contingent factors in the evolution of the company, (ii) the characterization of practical budgeting system and (iii) the influence of contingency factors on the company's budgeting system.

The interview with the coordinator of the company's budget presents the evidence indicating that, in particular, the environment has led the company to a need for strategic change:

> I have 23 years of business and, along with other collaborators, we noticed, 6 years ago, that the company's efforts, including in the budget sector, were not sufficient to achieve the expected profitability and liquidity. Our competitors, even without our tradition and time of operation, surpassed our results and, as much as we reduced costs, we still lacked a competitive performance, something needed to change (BUDGET COORDINATOR).

The company at that time, between 2004 and 2005, was living its greatest crisis. Thus, we sought the services of a consulting firm, whose headquarters was in São Paulo. After the initial investigations and research, the consulting firm diagnosed that the contracting firm had a strong brand, its market was consolidated, and that 90% of respondents, surveyed nationally, recognized brand.

However, faced with fierce international competition, it had to make its sales figures grow, and for this purpose, a new strategy was needed. Jermias and Gani (2004) state that the strategic priorities affect the type of controls and the companies' management control systems. The consultant firm, according to those interviewed, performed its work well and many decisions and changes were first perceived strategically in 2007. The budget analyst working in the company for 13 years describes part of this phase:

> The change in strategy was really good for us, the company began to qualify its products, making them reach its target audience, the A and B classes. That year was also marked by the expansion and growth of the franchise network, notably, the company itself is convinced of the potential of retail stores (BUDGET ANALYST).

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In 2007, after six months preparing for the initial public offering, the company joined the new market of BM&FBOVESPA, adopting the highest corporate governance practices and issuing its shares. Thus, new shareholders financially support a new era of growth.

In a disclosed note, which was part of the tax year ending 2007, there is explicit information that this year was a milestone for the company. In this paper, the four pillars of strategic growth plan were presented:

> The company's growth plan has four pillars: product and brand repositioning, launching a credit card, expanding and strengthening the network of franchise sales and growth in multi-brand stores (FIRM NOTES, 2007).

We noted in interviews that the contingency environment, described by stiff competition, falling sales and poor results, required a new strategic approach. In turn, this strategic contingency led to changes grounded on four points: the products, distribution, customers, and methods of payment. Therefore, it accelerated the process of opening the capital to the market.

The action of these two contingencies, environment and strategy, which acted sequentially on the evolution of the company, brought results in the first year, such as 'sales grew about 30% compared to 2006, there was the opening of 30 stores; and the gross revenue increased in 13.6%, reaching the end of 2007 at US$246 million' (FIRM NOTE, DECEMBER 2007).

In the words of the *controller,* the new strategy contributed directly to the company's evolution in several aspects:

> The company, after consulting and strategic repositioning, began to grow commercially and also went through structural changes with new roles and functions, including the management accounting area. Among others, beyond the existing role of controller*,* the budget coordinator position was created *(*CONTROLLER*).*

We note, through a timeline, the action of the contingencies that contributed to the evolution of the company, as well as the evolution of income (net income), size (in stores) and structure (production capacity). In checking whether the financial statements, the benefits from the strategic adjustments and internal changes, performed with the help of a consulting firm between 2004 and 2006, we observed that from 2007, the size of the company had evolved significantly from gross sales in 2007 from US$ 246 to US$488 million in 2009, while net income grew percentagewise, 83.80% in the same period. The growth in net profit, which reached the end of 2009 at US$ 64 million, was 612% higher than the year 2007. In parallel with the company size, the physical structure also increased. For example, the number of owned and franchised stores in 2007 totaled 248, and rose to 365 at the end of 2009, an increase of 47%.

Abdelkader and Luther (2008) show that firms facing environmental uncertainties show a preference for the ability to generate information through their management control systems. Moreover, King, Clarkson and Wallace (2010) argue that firm size and its structure are positively related to formal deployment of budgets.

We notice that in the company's previous budget practice, through spreadsheets, there was not enough support from financial information needed to manage the company. The *controller* confirms that the company's decision to change its budget setting practice was made in 2009:

> In 2009, the company migrated the budgetary system of spreadsheets to a new system, which has a specific module for the budget; this one provides hundreds of different analysis and reporting. It was a breakthrough for the budget sector *(*CONTROLLER*).*

In order to avoid a shock at the new model and unwanted resistances, two measures were taken. In order to prevent that the agents participating in the budget setting, would have needed to adapt to the new budget system in a short time, the controlling industry sector introduced the information received in the spreadsheets in October 2009 for the 2010 budget, and inserted them into budgeting module. This action allows the control, in 2010, within the management system acquired with the use of tools for *Business Intelligence (BI),* without rushing the learning of the agents of the budget.

Another important measure for success and adherence to new budget practices was to maintain a friendly *layout* of the spreadsheet module of the new budget system. In particular, this contributed to the acceptance and the success in this new model, because it created an intimate aspect to the environment in which the data must be completed within the budget. The budget analyst described this procedure:

> We think of all the difficulties that many contributors to the budget would have when reading what is required of them, and also with respect to the amount of time it would take to fill out and find information in a totally different computerized environment. Therefore, we decided to keep the Excel spreadsheets layout (BUDGET ANALYSTS).

For the 2011 budget, which was drawn up between August and October 2010, it was performed in the budget module, without the use of spreadsheets, showing the effective use of the system throughout the company. In addition, opinions were collected from 18 managers and a director for five questions, which were designed to confirm the evidence collected in interviews with the group of users in the organization's budget. The questions were: Q1: In recent years, have some contingencies changed the company's evolution? Q2: Among these contingencies, is the strategy defined by the company? Q3: Among these contingencies, what is increasing the size

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of the company? Q4: Among these contingencies, is the technology defined by the company? Q5: Among these contingencies, can the market (environment) in which the company is in be found?

The degree of agreement about the fact that technology is a contingency that influenced the evolution of the company showed the lowest value, i.e., farther from the expected (agreement level 5). On the other hand, the question had one of the highest responses in relation to agreeing that some contingencies contributed to the evolution of the company in recent years.

The budget system of the company, according to responses by the *controller* and budget coordinator, is characterized by performing three steps. The first is the budget's revenue, in which the expected growth must be approved, the second is the allocation of fixed costs to approximately 400 cost centers, which is under the supervision of 44 managers, and, finally, the closing of the final budget.

In the words of the controller, 'usually these budgeting steps revolve around 90 days. He said the second phase of the process takes almost 50% of the total. In addition, during the interview he described several relevant details about the budget setting practiced nowadays:

> Our budget is prepared jointly by all managers and coordinators, it is reviewed monthly, where the budgeted and realized are verified. Their development process, in my opinion, is a mixture of a *top-down* and *bottom-up* process, and the main driver impacting the budgeting process is the accounting information, originating from the statements of income, first of all, and also from the cash flow statement. *(*CONTROLLER*)*.

Regarding the typology, the traditional budget was used until 2009. However, the company changed for the zero-base budgeting model (ZBB). With this method, we put aside all the historical data of expenses and revenue of the organization and analyses for any future expenditure were made, as for revenues, which enabled the preparation of a justification, according to the organization's needs.

According to the controller and the budget coordinator, the most prominent reasons to use the budget setting were for operational planning and performance evaluation. These ones were also used for the strategy formation process. With regards to the budget being used as the basis of the remuneration variable of the company, the controller, briefly, pointed out:

> The remuneration variable in the company occurs in two ways: such as bonuses for directors and managers and as participation per results for all other employees. Some goals are corporate and comes from the budget, for example, EBITDA, revenue, gross profit, expenses and others *(*CONTROLLER*)*.

With respect to the components of the budget, the respondents indicated that the nine elements, whose presence Sharma (2002) reports as essential to the budget, are always present, which are the assumptions, scenarios, marketing plan, production plan, supply plan / inventory, human resources plan, investments in fixed assets plan, financial statements and budgets continuously.

It is important to describe two more details that emerge about the current budget practice. One is that despite the company's own goals and long-term plans for three years, the budget is not restricted to them, as it is only used as a reference. The other detail is that the budget coordinator is assisted by two company employees, and all three are engaged fully with the company's budget. Thus, control over the budget process now has three employees assigned at the company's headquarters since 2009, as it was structured by two people in different cities.

We observed the company's budget practice recorded in situ since 2009. There was a significant amount spreadsheets filled in incorrectly, returning to the coordination of the budget, not standardized, and the level of rework that must be done in order to allow condensation and analysis of information was high.

From 2009, the budget process begins with a statement sent to managers and coordinators containing the financial assumptions and general rules. By accessing the ERP, the user must fill in four fields, with the ongoing tax year. , the version of the budget predetermined by the controller and budget coordinator, the type of expense and cost center, which will be released in the budget data.

The system environment in Enterprise Resource Planning (ERP) was introduced in 2010, we noticed that it has two phases: first, the BI environment, in which they are budgeted and the actual budget data, and secondly, the analysis of prospective scenarios, useful for making more insightful business decisions.

Yet, on the characteristics of the current budget system, the last step was the search for evidence analysis of 18 questions addressed to managers and a director with questions grounded in the interviews: Q6 - Is the budget practiced by the company reviewed monthly, calculating the budgeted and the realized? Q7 - Is it clear that the budget has three phases: estimate revenues, allocate expenditures into cost centers and close the budget? Q8 - Is the budget used as a basis for incentive compensation? Q9 - Does the design of the entire budget cover 60 to 90 days? Q10 - What directs budget setting the most, is it the results from the year's income statement (I/S) in your opinion? Q11 - Are the main reasons to use the budget in the company in the planning and performance evaluation?

We can evaluate that the concordance in relation to the budgeted monthly review with the realized, the length of budget preparation and the reasons for the use of the budget achieved the lowest level among the others. In general,

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the questions show that the recent changes in budgeting practices are not fully regimented between the management team and confirm the statements obtained in interviews, documents and observation carried out, which were grounded on understanding the main features of the budget system practiced in the company.

A summary of the main consequences of the action of contingency factors on the evolution of the company and its budget system is presented in Table 1 in chronological order, covering from the environmental pressure due to the increased competition in 2004 to the influence of technology in 2009.

Year	Contingencies	Evolution of Company	Budgeting System
2004/2005	Environment (growing competition and untapped opportunities)	- Market loss to main regional competitor; - Aggressive Chinese competition - Engagement of external consultants;	- Lack of harmonization 'several budget s test dummies; - Impairment or 'suspicion' about the effectiveness of the budget due to the company's poor performance.
2007	Strategic Change	- The Company's common shares are traded on the BM &FBOVESPA's *Novo Mercado*; - Net Income 18.7 (BRL) million; - 225 stores; - Production (3.0 million pieces / year);	-Unification of the budgetary unit in the south; - Hierarchization of the process with the controller at the forefront and the creation of the budget coordination department.
2009	Size, Structure and Technology	- Net Income 114.6 (BRL) million; - 365 stores; - Production of 3.3 million pieces / year	- Shift from the spreadsheet budgeting system to a specific system module (ERP); - More accurate analysis of scenarios (range of analytical reports); - Replacing the traditional typology of the budget for the Zero-Base one

Table 1: Summary of evidence of the influence contingent on the company.

Source: Authors (2012).

5 Final Considerations

The research aimed at investigating how contingency factors influenced the evolution of the company and its budgeting system in a Brazilian textile industrial organization. Thus, based on contingency theory, the study attempts to identify the environment, technology, size, structure and strategy, acted in the kinds and budgetary practice. The case study provided evidence from the triangulation of data through interviews, questionnaires, and document analysis and field observations.

The research proposition indicates that contingency factors (environment, structure, size, strategy and technology) influence the development of the company and, therefore, define and characterize the budgeting system, and the types, components and reasons for its use. Regarding the environment variable, the results indicate that the company was in trouble from facing competition in 2004, both domestically and internationally, especially Asia, who proved to be a fierce and a tough competitor. Despite efforts to contain costs, sales were not sufficient to generate desired results.

As pointed out by Lawrence and Lorsch (1967), the environment in this study was, notoriously, the first and principal agent in the evolution of the company, forcing the company to redirect. This redirection through a new strategy, constituted the second variable affecting the evolution of the organization.

The appropriateness of the strategy had its importance and success due to the work of an outside consultant, whose duration lasted approximately 24 months. This consultancy promoted the qualification and specialization of production, progress toward different customers, investment in own retail stores and the strengthening of political franchise.

Notably, the company has evolved strategically, opened its capital and became part of the BM&FBOVESPA's New Market. With this type of financial funding from third parties, it could finance the necessary changes. These changes have increased the net profit, gross revenue, EBITDA and other indices, never seen until then.

The evolution of the company corroborates the study by Covaleski, Dirsmith and Samuel (1996), which reported that contingencies are able to influence the structure of organizations in its formalization, specialization,

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differentiation and bureaucratization. The link between environment and business evolution was also the subject of research for Collin, Bengtesson and Tjombrant (2007), who found that Swedish companies in environmental factors such as turbulence and competitive intensity influence the budget context, in particular, the budget control.

However, the proposition also suggests that the practice unit's budget is influenced by contingencies, which was observed in the case from the evidence collected. The strategic renewal made the company larger in size and expanded its financial size in number of stores and volume production.

Such contingencies have been marked so that it would need to change the practice in the last two budget years. In the words of the controller and budget coordinator, the current budget practice has migrated from the traditional budgeting model to the zero-based (type change) and method of manufacture, according to respondents, it shifted from a top-down to a mixed process.

According to the controller, with the zero-based budgeting, the company improved its quality and refinement in its discussions, as it goes from annually fixed targets from previous numbers to budgets prepared from scratch. This reinforces the work of Burrows and Syme (2000) that assesses the need for budget agents to review and analyze all expenses of the zero-based budgeting more deeply.

The attributes of the budget, which are formed by components and reasons for its use, have also undergone through changes, being influenced by contingencies. The reason to use the budget until then was the operational planning and performance evaluation, given the strategy formation as a new reason to use this device (HANSEN; VAN DER STEDE, 2004).

We can conclude that the contingency factors listed in the literature, environment, strategy, size, and technology influenced the evolution of organization and practice budget, respectively. The contingency factor strategy (CHANDLER, 1962), used to cause structural changes and control of the company appeared as the other key predisposing contingencies.

The strategy, according to Hoque (2004), showed a positive relationship with the company's performance through the growth of the size and structure of the company and, therefore, an indirect relation with the changes in budget practice that needed to be made appropriate, which refers to observations by Jokipii (2010) who noted that companies adapt their structures of control do to deal with environmental uncertainties and effects of strategic positioning.

Through the company's strategic renewal, its growth and commercial leverage occurred changing its size and structure. Thereafter, the contingencies of the size and structure demanded stringent new controls, which gave rise to the need for a new technology in the field of management accounting in the form of an ERP system. Thus, the technology was born from the antecedent contingencies and influenced changes in the practice of the budgeting system and influenced changes in the practice of the budgeting system, which obtained more precision and improved uptime in budget preparation and control.

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