Ferguson & Son Manufacturing Budget Analysis

Ferguson & Son Manufacturing Company budgetary control system does a series of evaluations throughout each department on a monthly basis as opposed to in the past the main focus was about craftsmanship and the quality of work being done. The evaluations are done on a monthly basis for comparisons to be made between all the departments’ actual and budgeted costs. Some of the company’s problems are all of the setup and machine adjustment time, the interruptions during the larger projects to work on a smaller rushed orders as well as not having functioning equipment to produce efficiently. While another issue that the company has is that the employees at times feel that they are being rushed to do quality work and stay with in the company’s estimated budget as well to be within the time frame that is required. With the employees feeling like they have no options like in some of the other departments that are allowed to delegate what projects to do and what to report as an expense. With what the company is expecting from the employees, they might feel as if they are being set up for failure because the manager often stresses the importance of continued progress to attain the budget he also lets it be known that he keeps files of all the performance reports that are done. Goal alignment allows a quicker execution of the company’s strategy to prevent the employees from feeling like they are being set up for failure, with this method it allows everyone to work together towards the same objectives, the company can execute its strategy faster, with more flexibility, efficiency and adaptability. Essentially the goal alignment strengthens the leadership within the company and creates organizational agility. Clearly communicating the organizations goals will ensure that valuable time is not wasted on a nonrelated task. Some improvements that could benefit the company are to communicate all expectations, documenting all progress and being able to identify any and all employees strengths and weaknesses allows management to make any decisions sooner to correct any issues or lack of productivity. This method also provides all employees with knowledge about what the organizations trying to achieve and how to achieve it, and letting all employees know how each individual’s performance contributes to the organizations mission.

Having a flexible budget could also help the company because it allows the companies prior years activity or expected productivity to be adjusted allowing the company to report any adjusted cost incurred and all the revenue that the company produced whether it be on a monthly, quarterly or yearly

If the company decided tot utilize an Activity Base Costing system it would help improve Ferguson & Son Manufacturing Company because it will allow them to view all of the internal flaws with a view as opposed to an external look on things. Not all companies are willing to adopt the Activity Base Costing System because it can and will reveal all flaws that the company might have and they do not want to seem vulnerable to the public eye whether it is to competitors or the consumers. If the method is implemented the company can save direct labor cost even with the increase the manufactured overhead budget. With Activity Base Cost system in place the company will be able to find its own flaws and correct them immediately as opposed to waiting until the unit is produce and not work properly or having non operating equipment which avoids bigger problems. Things that the company can potentially see if the minor changes were made is an in increase sales, operational efficiencies. This system allows you to better utilize capacity. Improving the companies supply chain while decreasing product cost. The company will also benefit because they will be able to provide accurate cost information provides a competitive advantage. It helps a company or organization to develop and properly execute its strategy by providing accurate information about the cost of its products and services, the cost of serving its customers, the cost of dealing with its suppliers, and the cost of supporting business processes within the company.

The company should also consider altering the behavior towards the work environment and having different ideas. All the employees should get familiar with the new budget system and understand why it is being put in place. Having all employees understand the new system will transform their behavior. Having a clear outline of the company objectives for both long term and short term to show employees that there is a plan in place, in doing so the company employees no longer would need to worry about them wanting to quit because it will allow them to be on the same line in achieving the same goals.

For Ferguson & Sons Company having a goal alignment approach it could potentially maximize the return on investments for the shareholders, as well as keeping communication between shareholders in order to implement any new ideas and policies that have to do with achieving company goals.

With activity based costing system the company will be able to rapidly and accurately produce financial plans and models allowing them to forecast all finances this can eliminate all the unnecessary rework that would have been created. To help the budgeting within the company the Activity Based Costing system will provide all costs to the company and what activities are required to produce any products or services. The activity based costing system will help the company have a better return on investment for the owners and any shareholders having such a wide versatility and simplicity and if the company decides to have the flexible budget they would be able to make certain adjustments when needed based on the actual activity done in a specific period. Having an Activity Base Cost system can have a better return on investment and a better impact on free cash flow within the organizations.

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