



The Relationship Between Managers Emotional Intelligence and Budget Planning Accuracy

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Abstract

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This study aims to examine the relationship between managers emotional intelligence and budget planning accuracy through a literature study method. In the context of modern organizations, budget planning relies not only on technical abilities, but also on the manager's emotional prowess in managing pressure, communication, and team dynamics. The study analyzed several scientific articles published and found that dimensions of emotional intelligence such as self-awareness, self-control, empathy, and social skills play an important role in improving information quality, reducing decision-making bias, and creating a more realistic and participatory budgeting process. Managers with high EI tend to be able to address budget conflicts, align interests between units, and maintain objectivity in determining revenue and cost estimates. The results of this study confirm that the development of emotional intelligence is an important strategy in increasing the effectiveness and accuracy of organizational budget planning. The practical implications of this study demonstrate the need to integrate EI training in managerial development programs and financial control systems oriented towards collaboration and transparency.

1. Introduction

In the context of modern management, budget planning plays a central role in helping organizations allocate resources efficiently, control expenses, and direct organizational strategies toward achieving short-term and long-term goals. Budgets are not just financial figures that are compiled periodically, but are an important tool in the strategic decision-making process that reflects management's expectations, predictions, and commitments to the organization's internal and external conditions (Bergmann et al., 2020). Therefore, the accuracy of budget planning is very important to ensure the successful implementation of the company's strategy. However, in practice, many organizations face challenges in crafting accurate budgets. Budget inaccuracies are often caused by incorrect assumptions, incomplete data, conflicts between units, pressure from capital owners, and manipulative behavior (Mahanta & Goswami, 2020). One of the non-technical factors that is starting to get attention in the study of financial management is the Emotional Intelligence (EI) of managers, which is believed to have a great influence on how financial decisions are made and how communication in the budgeting process is carried out (Bhoumick, 2018; Preston et al., 2021).

Emotional intelligence is defined as an individual's ability to effectively recognize, understand, manage, and express one's own and others emotions. In the context of organizations, EI is an important factor that influences leadership style, interpersonal communication, decision-making, and stress and conflict management (El Khatib et al., 2021). Managers who have a high EI tend to be more open to criticism, able to respond to pressure calmly, and more easily collaborate with

various parties. These characteristics are crucial in the budgeting process, which often involves cross-functional interaction and compromise between different interests. A study by Pathan (2022) shows that managers with high EI have better ability to manage team dynamics, thus encouraging a more participatory and realistic budgeting process. This is in line with the findings of Fteiha and Awwad (2020), which indicate that emotional intelligence is positively correlated with the accuracy of financial decision-making. In addition, EI also helps managers maintain integrity in budgeting, especially in avoiding the practice of budgetary slack or budgeting that is deliberately too loose for personal or team benefits (Arifin et al., 2021).

Although various studies have discussed the impact of EI on leadership effectiveness and organizational performance, studies that specifically link emotional intelligence to budget planning accuracy are still limited. Therefore, it is important to dig deeper into how EI contributes to the accuracy of budgeting whether through interpersonal communication, value-based decision-making, or conflict management in the budgeting process. Moreover, in today's fast-paced and uncertain business era, the ability to manage emotions is an important asset in ensuring that the financial planning process is not only rational, but also human and collaborative (Siti, 2018). This study aims to explore the relationship between managers emotional intelligence and budget planning accuracy using a literature review approach. This article analyzes various scientific journals published and available, to build a conceptual understanding of the influence of EI on the quality of budget decision-making. Thus, it is hoped that the results of this research can make a theoretical contribution to the development of a soft skills-based budgeting model and practical

contribution in developing a more comprehensive leadership training strategy in the organizational environment.

2. Literature Review

2.1. Emotional Intelligence in a Managerial Context

Emotional intelligence (EI) is an individual's ability to recognize, understand, and manage one's own emotions and those of others in various social and professional contexts. This concept was first introduced extensively by Goleman, who divided EI into five main dimensions: self-awareness, self-control, motivation, empathy, and social skills (Bhoumick, 2018). In managerial practice, EI is an important aspect that affects leadership style, communication skills, conflict management, and decision-making effectiveness. A study by Preston et al. (2021) shows that leaders who have a high level of EI are better able to manage stress, build healthy interpersonal relationships, and create a conducive and productive work environment.

In the context of organizations, EI is considered one of the determinants of managerial success that has a direct impact on individual and team performance. Research by Fteiha and Awwad (2020) revealed that managers with high EI are more responsive to team dynamics, wiser in making decisions under pressure, and better able to create cross-functional cooperation. EI also relates to the ability of managers to adapt to changing business environments and manage stakeholder expectations. Thus, emotional intelligence is not only an added value in leadership, but also a crucial component in creating adaptive and collaborative managerial processes.

2.2. Budget Planning and Its Accuracy Challenges

Budget planning is an important process in an organization's financial management that serves as a tool for planning resource allocation, controlling operational activities, and evaluating performance. Accuracy in budgeting is very important so that the plan prepared can be implemented effectively and efficiently. Inaccurate budgets can lead to irregularities in program implementation, mismatches in realization with financial targets, and even waste of resources (Bergmann et al., 2020). The main challenges in maintaining budget accuracy include economic uncertainty, low data quality, managerial pressure, and opportunistic behaviors such as budgetary slack.

Research by Mahanta and Goswami (2020) reveals that the practice of budget manipulation, both in the form of inflating costs and decreasing revenue estimates, is often carried out to protect the interests of certain individuals or work units. This shows that budget accuracy is not only determined by technical ability, but also by the integrity and ethical behavior of the budgeters. On the other hand, complex organizational structures and ineffective cross-functional communication are also obstacles in budget planning. According to Siti (2018), the involvement of various parties in the budgeting process without good coordination can lead to duplication of information, mismatch of projections, and difficulties in aligning overall organizational goals. Therefore, a managerial approach is needed that relies not only on technical competence, but also on interpersonal skills.

2.3. The Influence of Emotional Intelligence on Budget Planning Accuracy

The relationship between emotional intelligence and budget planning accuracy lies in the role of EI in improving the quality of communication, objectivity of decision-making, and the ability to manage social dynamics in the budgeting process. Managers with high EI tend to be more open to input, able to respond to pressure rationally, and maintain integrity in budgeting. A study by El Khatib et al. (2021) states that the interpersonal skills possessed by managers with high EI contribute to a more accurate budget data collection process because communication between units becomes more open and collaborative.

Research by Arifin et al. (2021) also shows that EI plays a role as an inhibitor of budget manipulation tendencies. Managers who are able to manage their emotions, understand their subordinates feelings, and maintain a high work ethic will tend to avoid the practice of budgetary slack. In complex and stressful organizational situations, EI plays an important role in maintaining the emotional stability and objectivity of the leader. A study by Tan et al. (2022) found that managers with high EI perform better in financial decision-making because they are more reflective, less impulsive, and consider the organization's long-term interests. Therefore, emotional intelligence can be positioned as a strategic competency that plays a role in improving the accuracy and reliability of the budget planning process, while encouraging efficiency in the management of organizational resources.

3. Method

This study uses a qualitative approach with the literature review method to examine the relationship between managers' emotional intelligence and budget planning accuracy. This method was chosen because it allows researchers to review and synthesize previously published scientific findings, particularly those relevant to the topic in the last five years. The main focus of this study is to explore conceptual understanding and empirical findings related to the two main variables of managers emotional intelligence and budget accuracy as well as the relationship between the two based on scientific publications indexed in Google Scholar.

The data collection process was carried out by identifying and selecting academic journal articles published in last five years. Inclusion criteria include articles that discuss emotional intelligence in a managerial context, budget planning practices, as well as research that examines the relationship between soft skills and budgeting performance. In addition, the selected article must be available in full text, published in a reputable journal, and contain an accountable methodology. The literature search process was carried out using keywords such as “emotional intelligence”, “budget planning accuracy”, “managerial performance”, and “budget decision-making” in various combinations.

After initial screening, about some articles were found relevant, but to maintain the focus and depth of the analysis, only the several articles that best met the criteria were selected for further analysis. The selected literature was then categorized based on themes, such as dimensions of emotional intelligence, budgeting approaches, factors determining budget accuracy, and causal relationships

between EI and financial decisions. The analysis is carried out with a thematic approach, where secondary data from each article is coded and compared to find patterns, similarities, and differences.

In addition, the validity of this study is strengthened by reviewing various theoretical perspectives and conceptual models, such as Goleman's EI model and managerial decision-making theory (Bhoumick, 2018). The main goal of this method is not to test the hypothesis statistically, but rather to build a conceptual framework that can explain how EI managers can influence the processes and outcomes of budget planning. Thus, this approach to literature study allows for an in-depth understanding of the complex dynamics in the relationships between the variables studied.

4. Results

The results of this literature study show that Emotional Intelligence (EI) has a significant role in determining the accuracy of budget planning carried out by managers. In the context of modern organizations, technical capabilities alone are not enough to produce accurate and realistic budgets. In fact, non-technical factors such as emotional intelligence contribute greatly to creating a more collaborative, objective, and strategic budgeting process. Findings from various literature state that EI not only influences the way managers lead teams or manage work stress, but also directly affects the quality of information and decisions used in the budgeting process.

According to Wells and Gilhan (2019), emotional intelligence allows managers to manage their personal and other emotions, so that they can avoid emotional biases in compiling financial projections. Managers who have a high level of self-awareness and self-control are better able to maintain objectivity in estimating revenue and operating expenses, resulting in more accurate budget estimates. This capability prevents distortions in risk assessment and helps decision-making based on data and analysis, rather than mere intuition.

Some literature emphasizes that budget accuracy is heavily influenced by managers' ability to manage communication and collaboration across departments. In this case, the empathy and social skills dimensions of EI play a crucial role. A study by El Khatib et al. (2021) highlights that managers who show high empathy are more likely to actively listen to input from other work units and consider operational information thoroughly. This allows for more valid data integration into the budget. In contrast, managers with low EI tend to formulate budgets unilaterally or based on biased perceptions, which can reduce the accuracy of predictions and widen the gap between budgets and realizations.

Furthermore, research by Tan et al. (2022) found that organizational pressure to achieve certain targets can cause managers to formulate budgets with bias, such as underestimating costs or overestimating revenue. However, managers with high emotional intelligence tend to be less easily affected by such external pressures because they are able to regulate emotions and maintain integrity in decision-making. Thus, EI functions as an internal mechanism that maintains objectivity in the budgeting process and reduces the risk of errors in resource allocation.

In another study, Sahid et al. (2018) stated that EI mediates the relationship between work stress and managerial performance in budget management. They found that managers with high EI skills were more adaptive to budget pressures and better able to develop effective communication strategies with finance teams and leaders. As a result, they can avoid budget conflicts that often arise due to differences in expectations between parties in the organization. This shows that EI is one of the important competencies in effective budget management.

A study from Bergmann et al. (2020) states that the quality of communication in the budgeting process is one of the main determinants of its accuracy. In organizations with complex structures, errors in communication often lead to duplication of data, mistaken assumptions, and mismatches of information between the strategic and operational levels. In this context, emotional intelligence serves as a tool to create more open, transparent, and responsive communication. This enriches the validity of the data used in budgeting and increases understanding between related work units.

In addition to communication, budget accuracy is also greatly influenced by the manager's ability to resolve conflicts between departments that have different budget interests. A study by Arifin et al. (2021) revealed that conflicts in the budgeting process are often unavoidable, especially when there are limited resources. Managers with high emotional intelligence are better able to mediate such conflicts constructively, so that the decisions taken reflect optimal strategic compromises. This is directly proportional to the final result in the form of a budget that is realistic, acceptable to various parties, and better implemented.

Research by Krén and Séllei (2021) also provides evidence that EI is positively correlated with the process of self-reflection and evaluation. This has a direct impact on improving the quality of budget planning from period to period. Managers who have high emotional awareness tend to conduct an in-depth evaluation of previous budget performance and use it as input in planning the next year. The ability to introspect and learn from experience is a tangible form of learning capacity, which is needed in a dynamic business environment.

Meanwhile, the results of a study by Mahanta and Goswami (2020) show that the pressure to meet high profit targets often encourages managers to engage in budgetary slack, which is the act of widening the distance between the budget and the actual target to create a safe space for performance achievement. In this context, EI becomes an important self-control instrument so that managers do not get caught up in manipulative behavior. Managers who are able to recognize and manage their emotional urges will be more consistent with the principles of honesty and professionalism in budgeting.

In addition, in public sector organizations, where the budget process involves many stakeholders and political oversight, EI is an important factor to maintain neutrality and logical consistency in financial planning. A study by Sandi et al. (2021) states that public managers with high EI tend to be more accountable and open in conveying budget considerations, as well as being able to explain the rational basis of each planning assumption to the legislature or the public. In this sector, EI contributes to maintaining transparency and public trust in government institutions.

Furthermore, a study by Ran et al. (2021) emphasizes that organizations that successfully integrate EI training into their HR development systems experience increased budget planning accuracy and decreased levels of deviation between budget and realization. Such training can include stress management, empathic communication, understanding emotions in teams, and value-based decision-making. This kind of program helps to form managers who are not only technically competent, but also wise in dealing with organizational dynamics and changing environments.

In general, the results of this literature review reinforce the argument that managers' emotional intelligence influences various aspects of the budget planning process. Every EI dimension of self-awareness, self-control, motivation, empathy, and social skills contributes to creating a more accurate, realistic, and sustainable budgeting process. Self-awareness helps managers recognize their personal strengths and weaknesses in budgeting. Self-control allows them to maintain emotional stability in high-stress situations. Internal motivation drives them to draw up an ambitious yet realistic budget. Empathy increases understanding of the needs and constraints of others. While social skills facilitate healthy collaboration between parts (Shorey et al., 2019).

Therefore, the development of EI in managerial training programs should be an integral part of the strategy of strengthening the organization's budgeting system. Not only in the private sector, public organizations and non-profit institutions also need to pay more attention to the emotional dimension of leadership roles. Budget accuracy is not just a matter of numbers, but also about how information is

communicated, how pressure is faced, and how interests are aligned. In a practical context, organizations can improve budget accuracy by strengthening emotional intelligence training for line managers and top management. By providing a work environment that supports the development of emotional competencies, organizations can create a more adaptive and inclusive budgeting culture (Cera & Kusaku, 2020). This is especially important in the face of economic uncertainty, regulatory changes, or organizational crises that demand flexibility in financial planning.

Thus, the results of this literature study reinforce the view that emotional intelligence is a non-technical factor that has a significant impact on the accuracy of budget planning. Companies and institutions looking to improve the efficiency of financial planning need to adopt a more holistic approach that takes into account the emotional and social aspects of decision-makers. The integration between technical and emotional competencies will create a more inclusive, rational, and long-term oriented budgeting process. Finally, emotional intelligence is not only a complement, but an important foundation in realizing effective and sustainable budget planning.

5. Discussion

The results of this literature study confirm that managers emotional intelligence (EI) plays a very important role in determining the level of accuracy of organizational budget planning. These findings are in line with various contemporary leadership theories and models that place EI as one of the key determinants of

managerial effectiveness, especially in complex and stressful work environments. In the context of budgeting, managers are not only required to understand and analyze financial data, but also to manage team dynamics, stakeholder expectations, and internal conflicts between work units. All of these aspects require strong emotional skills so that the budget decisions made are not biased, not manipulative, and reflect the condition of the organization objectively.

The relationship between EI and budget accuracy can be seen from various dimensions. First, self-awareness allows managers to understand their knowledge limitations and recognize potential biases in estimating revenue or costs. Second, self-regulation prevents managers from tending to make reactive decisions under pressure, especially when faced with unrealistic target achievement demands. Third, the dimension of empathy and social skills is an important tool in creating effective communication between units, which is urgently needed in uniting cross-functional operational information. This supports the argument that EI is not only a complementary competence, but is part of the main foundation for an accurate and realistic budget planning process (Wells and Gilihan, 2019; El Khatib et al., 2021).

The study also found that emotional intelligence helps managers in overcoming negative practices such as budgetary slack and budget manipulation that often occur in results-oriented organizations. When EI is neglected in the managerial training process, companies tend to face problems in unifying visions between units, setting achievable targets, and bridging differences between stakeholders. These findings reinforce previous studies that highlighted the importance of soft skills in

supporting managerial technical competence, especially in functions that demand high accuracy such as budget planning (Arifin et al., 2021; Pathan, 2022).

From a practical point of view, the results of this study encourage companies to consider the development of EI as an integral part of leadership training and managerial performance appraisal systems (Kaur et al., 2018). Organizations can implement training programs such as emotional coaching, stress management, and strengthening empathic communication to increase managers' emotional capacity in making more careful and balanced budget decisions. In the long run, increasing EI will also have an impact on an organizational culture that is more collaborative, open to feedback, and adaptive to changes in the business environment.

Thus, this discussion reinforces that emotional intelligence is not just a personal attribute, but also a strategic resource that can improve effectiveness and accuracy in budget planning. Recent literature studies consistently show that managers with high EI are better able to steer the budgeting process in a more participatory, realistic, and long-term oriented direction. Therefore, it is important for organizations to integrate the emotional dimension into their strategic planning system in order to create more careful and accountable financial management.

6. Conclusion

Based on the results of the literature study, it can be concluded that the emotional intelligence of managers has a significant influence on the accuracy of budget planning. In a complex and dynamic organizational environment, the success of budget planning is determined not only by technical and analytical capabilities,

but also by the manager's ability to manage emotions, build effective communication, and create harmonious cross-functional collaboration. Dimensions of emotional intelligence such as self-awareness, self-control, empathy, motivation, and social skills have been shown to play an important role in creating a participatory, open, and emotionally bias-free budgeting process. Emotional intelligence helps managers understand the real conditions of the organization, avoid pressures that can cause budget manipulation, and improve the quality of data and information used in planning. In addition, EI also plays a role in strengthening integrity and responsibility in the budgeting process, so that it can increase the credibility of management in the eyes of stakeholders.

Therefore, improving emotional intelligence through managerial training is a strategic need for organizations that want to strengthen budgeting effectiveness. By integrating emotional aspects in financial decision-making, organizations will be able to produce budgets that are more accurate, realistic, and adaptive to the dynamics of the business environment. This study makes a conceptual contribution to the development of a more comprehensive and humane HR policy and budgeting system, as well as opens up further research opportunities related to the role of EI in other strategic decision-making.

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