



By Gene Siciliano

OK, We Have a Budget.

NOW WHAT? 6 Tips for Effectively Managing Your Budget

Much has been written about the value of having a budget to manage the financial affairs of a business. And the premise of all those paragraphs of prose is correct: A budget is the most powerful way to achieve profit goals. However, the assumption seems to be that once you have a budget, your work is done and your staff will inherently know what to do with it. This is because:

- They were born knowing about budgets,
- They learned about budgets in kindergarten, or
- Their parents taught them about budgeting their \$5 a week allowance.

Of course, virtually none of these assumptions is true. As a result, the actual steps to managing a budget often get overlooked, and therefore under-learned. Aside from the obvious, like accurate bookkeeping and understandable reports, here's a quick checklist of six basic techniques for managing the details of a budget. And by managing, we mean sticking to the budget, not creatively explaining why you didn't.

1 Look at the budget before you commit funds. It seems logical to assume that you have to know what you've budgeted to spend before you make a spending decision, but it rarely works that way. Look first, then commit.

2 Use "that's all I have in the budget" to negotiate price. Your budget is a perfectly legitimate objection to a vendor proposal that exceeds the budget. If you're not authorized to spend

more than is in the budget, tell your vendor—this isn't unfair or illegal. They may want the sale badly enough to meet your constraint.

3 If you absolutely have to spend money for something that's not in the budget, remove or postpone a like amount of money from something else that is in the budget. This is called a trade-off. Spend a little more here, a little less there, and make things balance at the bottom. Almost never does every dollar have to be spent the way you originally planned it.

4 If revenue doesn't develop as planned, plan to under-spend accordingly. The budget is about the bottom line, ultimately. If revenue is less than planned, you likely don't need as much expense to support it. So determine what was planned to support revenue that didn't come in—and don't spend it.

5 Timing is not trivial—don't spend ahead of schedule. If you must spend before you planned to, postpone something else in the same time period until you can catch up. This is another trade-off.

6 "Oops!" is not a good explanation for overspending. If you inadvertently overspend, drop something else that's in the budget, or at least defer it until you can make up the difference, even if it's a later period. This is still another form of trade-off, best avoided by referring to technique #1.

Most CEOs would agree that these steps will make their company budget more effective. That is, most CEOs of companies that actually have budgets, which is not most companies. Most CEOs will also say their managers should do a better job at budgeting, while others might say these CEOs should do a better job of training their managers. Me? I'm just sayin'.

Gene Siciliano, CMC, CPA, is an author, speaker and financial consultant who works with CEOs and managers to achieve greater financial success in a dramatically changing economy. As "Your CFO For Rent" and president of Western Management Associates, Gene has spent more than 20 years helping his clients build financial strength and shareholder value through applied knowledge and process improvement. Gene also helps non-financial CEOs and senior executives understand finance and apply it to their companies and careers. Gene's books, "Finance for Non-Financial Managers" (McGraw-Hill, 2003) and "Financial Mastery for the Career Teacher" (Corwin 2010), are available in bookstores and online. More information is available at www.GeneSiciliano.com.