WHEN BUDGETING IS A TEAM SPORT…

5 WINNING STRATEGIES FOR MULTI-PARTICIPANT BUDGETING

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"A budget must be the cumulative effort of all who implement the organization's mission, including key leaders from all areas of the organization…

The idea of including this many people in the budgeting process might be daunting…"

- Curtis Klotz, CPA
Nonprofits Assistance Fund[1]

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Developing an accurate, achievable budget relies on *successfully engaging the staff who actually who "live the budget" to help build and uphold the budget.* And that might very well mean engaging *a lot* of participants.

Whether you're a company with 20, 75, or even 200 budgeting participants, coordinating everyone's efforts can be a complicated, time-consuming, and error-prone experience.

But multi-participant budgeting doesn't have to be an overwhelming process.

With the right blend of budgetary tools, strategies, and controls in place, it is possible to create an accurate, achievable budget with even hundreds of participants. An effective multi-participant process benefits organizations by building upon each unique individual's expertise, laying a solid foundation for fiscal stability and organizational viability.

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When Budgeting is a Team Sport:

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This Budgeting Brief will discuss key strategies for successful multi-participant budgeting and the benefits of engaging your staff in the process.

The following are proven strategies and tools for bringing your team together and building a better budget, no matter how many participants.

1. Communication

Creating a successful budget requires a vast exchange of knowledge and information between budget holders, finance, and leadership. Effective multi-participant budgeting is an exercise in communication.[2]

Here are some ideas to keep the dialogue flowing:

Spread the strategy. Successful execution of the organization's strategic plan requires that everyone understands their part, develops tactics aligned to key objectives, and creates a budget based on those objectives. The budgeting process provides an opportunity to ensure staff understand the plan, as well as a forum for identifying any potential speedbumps to tactical execution.

Pave a two-way street. Multi-participant budgeting calls for *multi-directional communication* – an open line of back-and-forth dialogue between senior leadership and employees to resolve questions and concerns, gather valuable insights, inform budget approvals or cuts, and ensure that everyone is on track.

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Leverage technology. Realistically, it's not scalable or time-efficient to have 100 one-on-one conversations with budget managers, and there are only so many group meetings that will fit into everyone's schedule. Today's budgeting software can enhance communication through online data collection, process automation, and up-to-the-minute insight into the status of each participant – identifying which budget holders are making progress and enabling the finance team to focus their efforts on those who may need one-on-one intervention.

Make time. Studies show that stressful time constraints may pose a threat to effective communication.[2] Allow breathing room for thoughtful, communicative planning during your budgeting process. The budget represents both the tactical execution of the organization's strategy as well as the allocation of an organization's most critical resources (both personnel and finances) – perhaps the epitome of the expression "time well-spent".

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Be transparent.

When multiple people are working on any given task, *transparency* – the window into the inner workings of a process – is key to success. A transparent budget will present information in full as well as in simplified form, and in a timely manner so that everyone can stay on the same page.[3]

"We know where the numbers come from. We know where they are going. And we know how and where to track them. **We can actually look at all the moving parts because it is a totally transparent process.**

Our budget managers are becoming more sophisticated users who want more data because they understand how to get access to the information they need."

- Cheryl Warner, Controller
Northwood University

2. Documentation

Multi-participant budgeting works best when budget managers are able to document their assumptions and defend the rationale behind their requests.

An excellent example of this is found in the world of grants and fellowships, where applicants are *required* to submit a budget justification or narrative in addition to their itemized budgets. In order to be considered, applicants must explain the need for each line item and show the calculations they used to arrive at their numbers. This level of detail gives grant sponsors the information they need to make the best candidate selection.[4]

Likewise –

- When budget managers include justification for line items and projects – including documenting how these costs align to key strategic objectives, it helps the finance team make informed decisions about what to fund and what to cut.

- Documenting one's thoughts and ideas is a way to share insight efficiently without the need for direct conversation – a real time-saver in our busy lives.

- Documentation captures, and makes accessible, critical historical data – lessening the impact of turnover and making the transition process easier for new hires.

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When Donna Farlow, Director of Budgeting at Union County College, converted her institution to a budgeting system with an integrated annotation feature, the benefits were immediate:

"It is just so much easier to access historical data to understand where you are now versus where you were in previous years.

You can quickly make comparisons and then document why you're doing it differently. It's all right there at hand, and that makes it so much easier for everyone, particularly for the non-financial people."

3. Ease-of-use

"It's critical to make sure that the users have a pleasant experience because nobody wants to do budgets. You've got to get buy-in."

- Minden Dickson
Director of Financial Planning & Analysis
Hunt Companies, Inc.

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From smartphones to social media, our personal technology hangs its hat on ease-of-use. But for most organizations, budgeting is executed via homegrown Excel-based spreadsheets: which are difficult for non-financial participants and prone to user error.

And the time and energy required to manage numerous worksheets can be especially problematic for the finance team.

Making the shift to budgeting software can help…here's what to look for:

Cloud-Based Platform: Organizations with multiple budget participants would be wise to explore the new generation of cloud-based budgeting solutions, which offer the convenience of *anytime, anywhere access* for budget holders (whether they are geographically distributed or just real-world busy). Cloud technology enables organizations to store everyone's work *in one convenient location*, making it easy to track data from minute to minute, or year to year. Plus, cloud-based software updates are a breeze.

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Friendly Interface: Look for software with a guided step-by-step interface that makes data entry and analysis simple enough for budget managers but robust enough for finance team's needs. Budget managers should be spending their time thinking about their objectives, tactics and numbers, not navigating a complicated interface or figuring out how to apply the right formula.

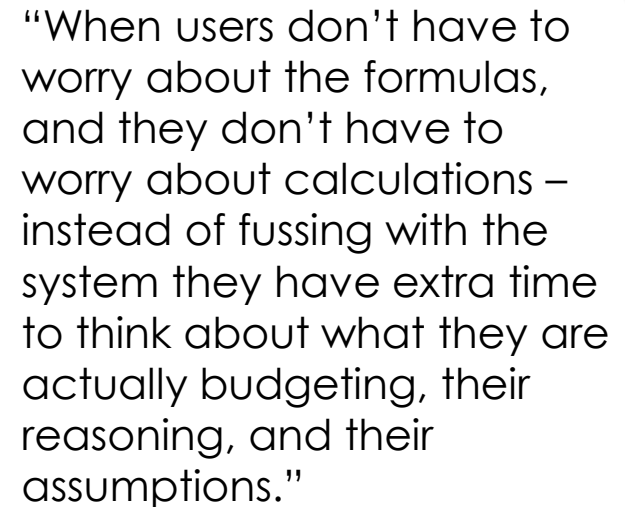**Self-Service Functionality:** Another key feature is the ability to perform self-service customization and updates, allowing finance administrators to have direct control over the software. The less time spent on help-lines or waiting for IT support, the better.

Cross-Organization Collaboration Tools: Consider budgeting software that gives participants the ability to easily budget *across departments* for special projects or strategic initiatives. This will increase flexibility, enhance collaborative efforts and provide greater insight for leadership – with an organization-level view of the impact of key initiatives.

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Flexible Format:

Most laypersons don't like using spreadsheets. Most financial people do. So, in order to get buy-in, it makes sense to employ a budgeting solution that keeps every user in their comfort zone. Whether it be a visually oriented interface with intuitive, click-through steps; the ability to enter numbers based on historical trends; or managing by line item detail – participants need the flexibility to choose the budgeting method (or methods) that work best for them.

"When users don't have to worry about the formulas, and they don't have to worry about calculations – instead of fussing with the system they have extra time to think about what they are actually budgeting, their reasoning, and their assumptions."

- Hector Sanchez, Vice President of Finance
Orlando Regional REALTOR® Association

4. Increase Engagement

With multi-participant budgeting, the higher the level of engagement, the smoother the process will go. Engaged budget holders are more in tune with organizational goals and are more willing to do the (sometimes really hard) work of creating an honest budget. And the more honest each participant's budget is, the more reliable the final rollup will be.

Further, participants feel more ownership of the final numbers when they are part of the process and have the opportunity to justify their decisions – even if, in the end, their final numbers are cut. [5]

The issues discussed in the previous three strategies, including: **communication, providing the ability to document and justify decisions or requests, and increasing ease-of-use, can all serve to engage budget managers in the process.**

Flexibility in budgeting methods (discussed in the following section) can also improve engagement by allowing managers the ability to budget according the specific needs of their department.

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5. Control *and* Flexibility

We've all heard of top-down versus bottom-up budgeting.

The truth is that organizations with multiple participants need a balance of both styles, including the right mix of financial controls for accuracy *and* flexibility.

Ideally, control of the budgeting process will flow in both directions: with budget managers having the flexibility to choose the budgeting method (or methods) that work best for them, whether that is simply spreading an expense based on historical trends or managing each line item individually...and finance administrators having the control to lock down key aspects of the budget process – such as assigning custom target budgets, setting key drivers or benefit expenses.

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"**We decided to lock down the salary piece so users could see who they had in their departments – without make changes.**

We used this as a verification process as well, to make sure we had everything coded properly and associated correctly between the new system and our general ledger.

Most of the employee benefit piece was entered with formulas to automatically populate those fields. And we set up the system to allow users to make changes to their operational funding when money is available."

-   Steve Miller
Interim Controller
San Juan College

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➢ **Benefits of a Team Approach**
SCORING BIG with MULTI-PARTICIPANT BUDGETING

By adopting effective strategies and tools, organizations can maximize the full potential of a multi-participant budgetary approach, while gaining important benefits.

Your staff are the subject matter experts in their individual departments and those closest to the execution and reconciliation of the final budget numbers.

Successful execution of multi-participant budgeting delivers an exponential return – starting with improved collaboration and ownership and resulting in increased **productivity, performance and profit.**

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BENEFITS:

Successful multi-participant budgeting increases…

➢ **Collaboration**

➢ **Innovation**

➢ **Engagement**

➢ **Ownership & Accountability**

➢ **Accuracy**

➢ **Cost Containment**

➢ **Alignment with Strategy**

And for the finance team – a well executed budgeting process with multi-participants means less time is spent hunting down and consolidating spreadsheets or fixing broken formulas. Instead, **finance can focus on analyzing the data and making strategic decisions about the organizations most valuable resources.**

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Benefits of Collaboration
SCORING BIG with MULTI-PARTICIPANT BUDGETING

Multi-participant budgeting is an excellent exercise in purposeful, planned collaboration. William Buist, CEO of Abelard and Founder of xTEN Club explains several important benefits of business collaboration:

➢ **Role Focus (vs. task focus):**
Effective collaboration means that each member performs their role, to their own strengths – which builds trust, reliance on one another, and cohesiveness.[6]

➢ **Employee Alignment:**
A collaborative feedback loop improves employees' thought quality and self-awareness. [6]

➢ **Renewed Energy:**
"When different groups of people work together it can lift the group to new ways of thinking – re-energizing every member." [6]

➢ **Fresh Thinking:**
"Collaboration can bring together different types of specialists and departments, which can give people new ways to reach an organizational goal." [6]

➢ **Innovation:**
A collaborative environment helps employees explore new ideas rather than feeling restricted by the threat of failure.[6]

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Benefits of Collaboration
SCORING BIG with MULTI-PARTICIPANT BUDGETING

"Effective collaboration is much more than just 'working together' – it's a strategic choice.

The collaboration between different groups within an organization…changes how all stakeholders view themselves and those around them." [6]

- William Buist
CEO of Abelard
Founder of xTEN Club

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Benefits of Engagement

One of the biggest advantages of multi-participant budgeting is the opportunity to foster an engaged workforce, which is key to organizational stability and success.

Budgetary ownership increases engagement.

Bringing employees into the process and giving them accountability naturally leads to a more engaged workforce. Chris Musselwhite of Discovery Learning International explains:

"When people feel ownership of their work, they are more likely to own the problems that occur and take on the daily task of finding solutions much more enthusiastically." [7]

Empowerment increases motivation.

According to renowned psychologist and researcher Frederick Herzberg, some of the most important personal motivators include: achievement, recognition, meaningful work, responsibility, advancement, and growth.[7] An empowering multi-participant budgeting process is an excellent way to foster the motivation that inspires employees to do their personal best.

Benefits of Engagement
SCORING BIG with MULTI-PARTICIPANT BUDGETING

Kevin Kruse, successful entrepreneur and *New York Times* bestselling author and speaker, explains the benefits of an engaged workforce:

"Employee engagement is the emotional commitment the employee has to the organization and its goals…

Engaged employees lead to better business outcomes. In fact, according to Towers Perrin research, companies with engaged workers have **6% higher net profit margins**.

And, according to Kenexa research, engaged companies have **five times higher shareholder returns** over five years."[8]
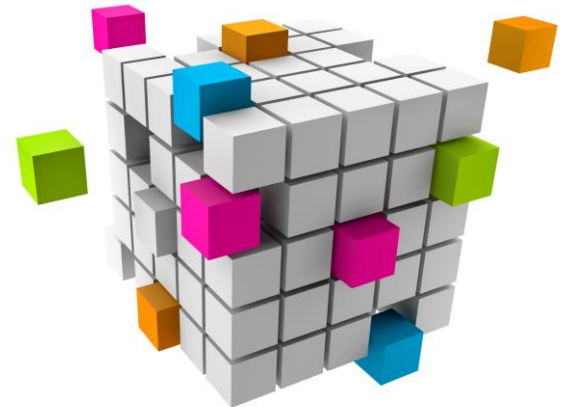
Benefits of a Team Approach
SCORING BIG with MULTI-PARTICIPANT BUDGETING

Increased Accuracy

A budgeting approach that includes managers in planning and execution can provide a more accurate and achievable budget with better outcomes, including:

➢ **Cost containment:**

As the executor of the budget, the manager is likely better able to control the costs than anyone else in the company.[9]

➢ **Accurate forecasting:**

Managers who are doing a job on a day-to-day basis have a better idea of what is achievable and what is prone to happen in the forthcoming period. [9]

➢ **Enhanced oversight:**

Managers are ideal candidates for continually monitoring progress against the budget and identifying necessary mid-course corrections. [10]

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Benefits of a Team Approach

Alignment with Strategic Objectives

Multi-participant budgeting fosters proactive, positive communication and an improved understanding among staff of the organization's strategic plan – and their role in achieving that plan. This ensures that strategy and objectives are at the heart of each budgeting decision. Successful managers will strive to put the larger organizational goals before departmental needs, knowing that the stability of the institution depends upon unity of purpose.[10]

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Benefits of a Team Approach
SCORING BIG with MULTI-PARTICIPANT BUDGETING

"Communication is at the heart of any good collaborative budgeting, and when everyone understands the goals and strategic initiatives, the whole budgeting process becomes a lot more effective…

The fact that we've been able to really tie the strategic initiatives to the annual budgeting process has improved communication, it's improved understanding of the budgeting process, and it's helped us to manage expectations so that everybody is on board with the same goals for moving the university forward."

- Anne Ilcus
Budget Administrator and Investment Analyst
Palm Beach Atlantic University

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About XLerant

Helping Organizations Achieve Successful Multi-Participant Budgeting with an Award-Winning Purpose-Built Solution

XLerant, Inc. helps organizations allay the frustrations of Excel-based budgeting with BudgetPak, a cloud-based budgeting solution that has received high honors for outstanding ease-of-use and customer service.

BudgetPak's user-centered design and built-in intelligence pave the way for accountability and transparency by offering the tools for flexible and reliable budgeting, forecasting, and reporting. This user-friendly solution does more than make the process easier – it provides a platform for communication of the organization's annual objectives and ensures department heads and faculty are building their budgets in line with those objectives.

> "We believe a system that has budget intelligence built into its core makes for a more robust and user friendly process for everyone involved – which ultimately delivers more meaningful results."
>
> - **Joanne E. Brunn**
>   **CEO, XLerant**

Because BudgetPak doesn't force users to think in a restricted 'row and column' Excel format, it is a much more engaging experience for non-financial users. At the same time, BudgetPak allows the Finance team to control the aspects of the budget that are important to them within a straightforward, finance-friendly format – and direct integration with Excel for analysis in a familiar environment.

XLerant offers a full suite of modules built into BudgetPak including expense planning, revenue planning, headcount, salary planning and asset planning, as well as approval workflow, what-if scenarios, out of the box reporting, variance reporting, dashboards, and custom reports. A unique feature called ActionPaks allows organizations to budget for projects and initiatives within or across departments.

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Contact us to learn more about how we are helping organizations like yours successfully achieve multi-participant budgeting.

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