

# 12 Best Practices for Better Budgeting



John Herbstritt  
Chief Solutions Architect

Cathy Fregelette  
Financial Practice Director

# Executive Summary

Let's face it: budgeting is often a painful process. Even the most sophisticated organizations struggle to build 12 – 24 month operational budgets that factor in long-range strategic goals—let alone early warning systems and standardized budgeting templates.

Managers often scramble to collect financial information from multiple sources in consistent formats. Rather than aiding the process as they should, disparate technology tools only add to the manual process.

Fortunately, there is a better way to budget.

This white paper explores 12 best practices you can implement now to dramatically improve the quality of your budget while cutting weeks or months from the process. They include bringing your budget in line with the organization's core strategy, incorporating better workflows and more efficient solution, and ultimately using your budget to stay on track now and into the future.

# The Better Budgeting Approach™

## Align Your Strategies and Budget

1. Keep your eye on the goal
2. Get the right people involved
3. Meet in the middle
4. Configure your systems to support your strategy



## Build Your Operational Budget

5. Choose the right tool for the job
6. Standardize & fortify the templates
7. Monitor workflow and approvals
8. Lock down your budget

## Live with and Love Your Budget

9. Implement an "early warning" system
10. Roll your forecast forward
11. Start planning early
12. Build one source of the truth

There's no guesswork needed in fixing your budget process. Proven techniques exist in every phase to reduce time and stress tremendously. BroadPoint has identified 12 best practices based on years of consulting to association, nonprofit, and commercial clients—uncovering common struggles and red flags.

While all practices have their own merits, they are intrinsically linked and most effective when used together—progress in one area influences the rest.

Taken together, you can transform your organization with this Better Budgeting Approach.

### From Your Peers

We recently presented these best practices in a webinar to financial executives, controllers, and budget managers across the country. We surveyed participants during the webinar on various budget topics and have included some of the findings throughout this paper.

# Strategize



Your strategic plan must drive your budget, and your budget must be allocated among your strategic initiatives. Period.

## #1 – Keep your eye on the organizational goals

If you ask 10 employees to name your organization’s goals, will they all give the same answer? Do you have a roadmap showing how short-term goals serve the long-term strategy? If you answered “yes” to these, you can go forth boldly. If not, you need to take action.

Strategic planning is difficult. That’s why nearly 1 in 3 associations don’t do it. Of those who say they do it, 19% don’t even write their plan down.<sup>1</sup>

It’s imperative that you show your staff how organizational goals actually link to initiatives and set SMART goals to track progress. However, you need to ensure that you’re tracking the right indicators and that your budget and operational outcomes are aligned to your strategic plan. If your organization has experienced significant transition recently or anticipates change, this process becomes even more important.

### What are SMART goals?

- **Specific** – target an area for improvement
- **Measurable** – qualify an indicator of progress
- **Assignable** – someone has ownership
- **Realistic** – what is possible to achieve
- **Time-Related** – done in a set period of time

<sup>1</sup> Concord Leadership Group, 2016 Nonprofit Sector Leadership Report

## **#2 – Get the right people involved**

Antoine de Saint-Exupéry once said that “a goal without a plan is just a wish.” The right plan starts with the right people. You need the right decision makers in the room—ones who can develop a plan and figure out how to meet the strategic goal and budget.

If your finance or operation teams are disconnected from executive strategic planning, that’s a major red flag. When they work together, meld their priorities and understand their roles within the bigger plan, you’re on the right track.

Similarly, if you lack insight into the planning process of your division, department, fund, or project managers, it may be time to revisit your organization chart. Remind the executives that accurate budgets are at stake.

## **#3 – Meet in the middle**

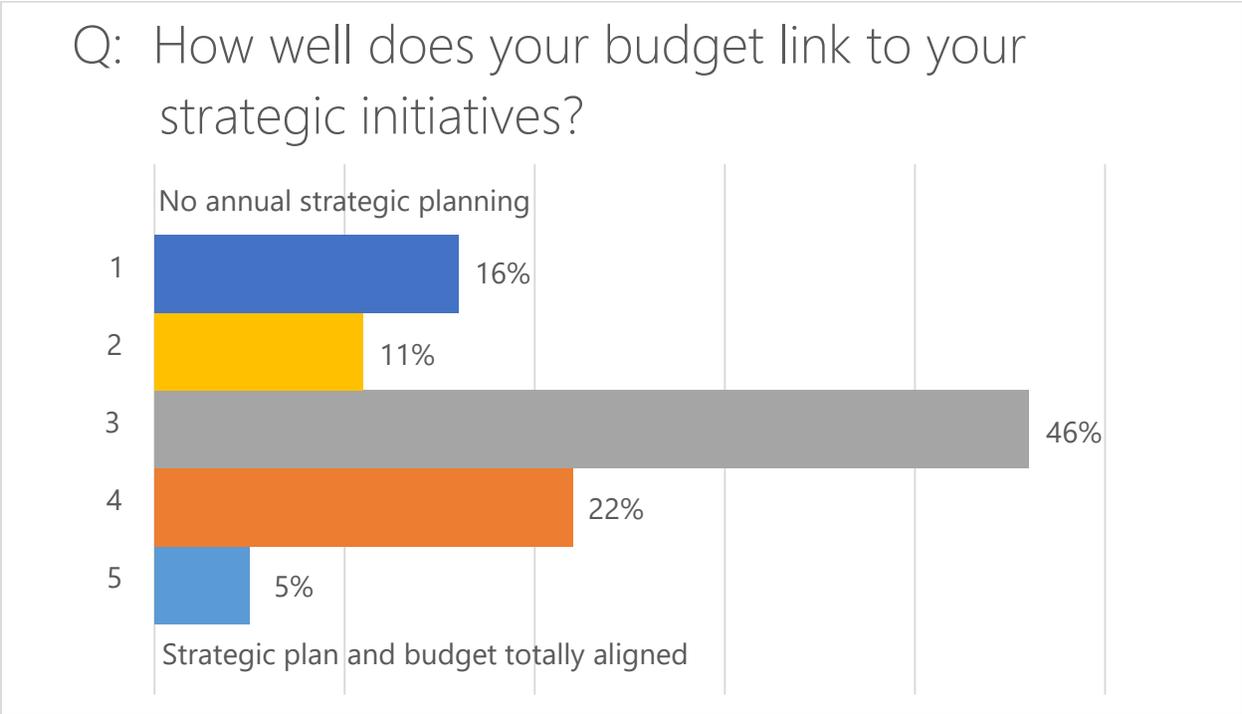
Have you discovered that you simply can’t meet your strategic goals with your planned budget? Is there a consistent mismatch between top-down strategy and bottom-up team member input? Then it’s time to meet in the middle. Create and enforce your budget alignment through a central database that involves everyone, and realign your operational plans to achieve your strategic goals.

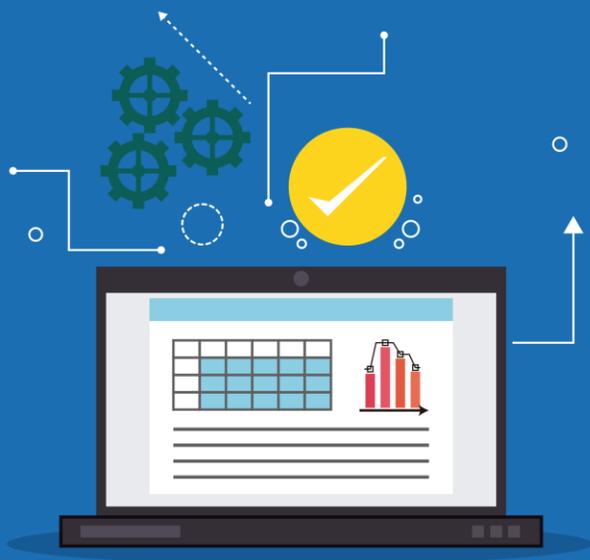
“Effective budgeting cuts across the whole organization,” said Nils Rasmussen, CEO of business intelligence firm Solver USA, Inc. “A database-driven process is the efficient way to bring everyone together. It’s extremely difficult to accomplish with a manual budget process.”

## **#4 – Align technology to the strategy**

Surfacing vital insights about members, funds and other strategic areas of your organization should take mere minutes, if that. You may need to configure financial and other systems to include and report on essential information related to your strategy. This could include reviewing your financial segmentation and dimensional reporting or revamping systems so they provide critical data to stakeholders in a consistent format.

When we asked our attendees how well their budget links to their strategic initiatives – our research showed that only 27% identified as being nearly or totally aligned. How do you compare? [Take our quick survey](#) to find out.





# Budget

Many associations use disconnected tools and practices that make building a budget manual, error prone, and frustrating for everyone involved!

## **#5 – Use the right tools for the job**

Do you have to jump through hoops to get your financial budget information, including manually updating individual spreadsheets to prepare for the budget? Then you're most likely sacrificing quality and efficiency.

A collection of individual spreadsheets, no matter how well linked, is not an effective solution: it's not collaborative, there's no version control, and you invite problems via cutting, pasting and data reentry.

Consider integrated tools designed to streamline, simplify and automate your budget process. Your team *demands* a common budgeting portal that works with existing systems to combine all financial data and tasks in one place.

## **#6 – Standardize & fortify budget templates**

Unless you build standard templates and lock down the ability to modify them, you'll wind up with mutations that waste time and effort. Tie each template to a data source and control modifications. This brings everyone literally onto the same page.

### #7 – Monitor workflow and approvals

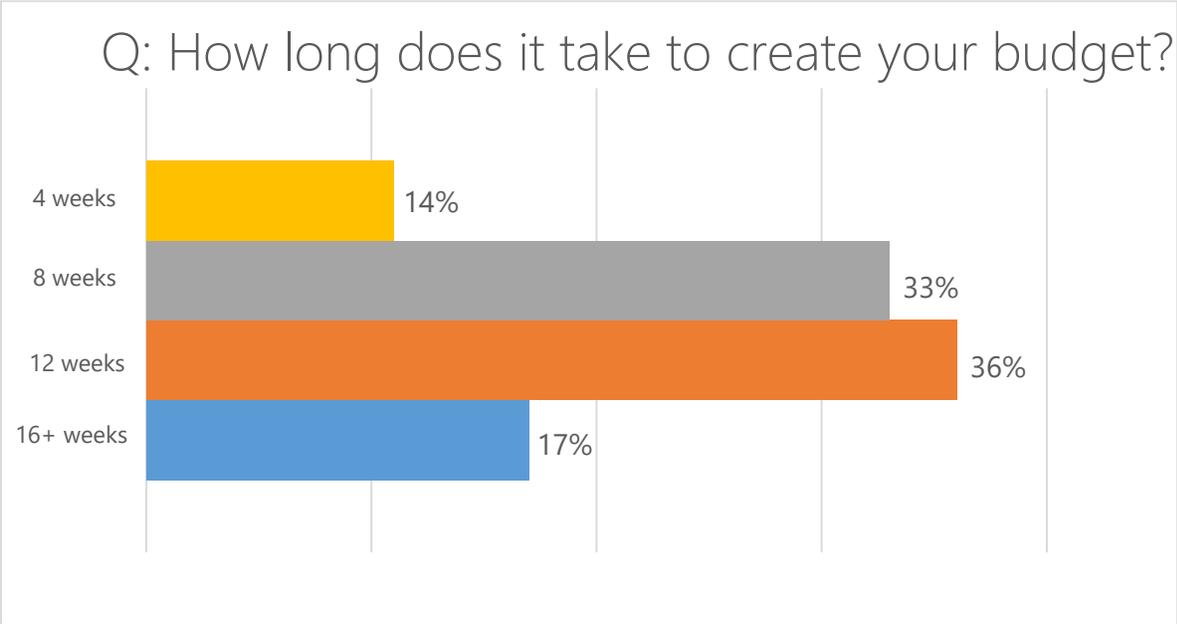
Budget administrators typically email templates out and expect to receive updated versions. They have to then add these templates to the financial system, including the many that arrive late.

Instead, create a collaborative portal that integrates all information. This new workflow vastly streamlines the budget process, especially with automated alerts for tracking, approvals and status. If you value transparency, this integrated approach is ideal because the timeline tracks managers’ progress and hold everyone accountable.

### #8 – Lock down your budget

Nothing derails the budget process quite like late-breaking changes. Implement process and system controls to keep your final budget off limits to unauthorized personnel. For instance, only allow an adopted budget to change when the Board authorizes a revision. Require other changes to pass through as another budget scenario, such as a revision or forecast. That way, you can always run a comparison of approved to revised.

The challenges we’ve discussed add up to additional time. Over half of the respondents surveyed noted that it took 12 weeks or more to complete the creation of their budget, start to finish. How do you compare? [Take our quick survey](#) to find out.



# Operate



Many organizations have little advanced warnings for potential issue/overruns and spend their time in a reactionary mode.

## **#9 – Implement an “early warning” system**

Do you know in advance if managers are about to exceed their budgets? Get proactive by setting up your system to reveal leading indicators, not just lagging indicators, and giving stakeholders year-to-date actuals vs. budget in real time and in a format they can understand.

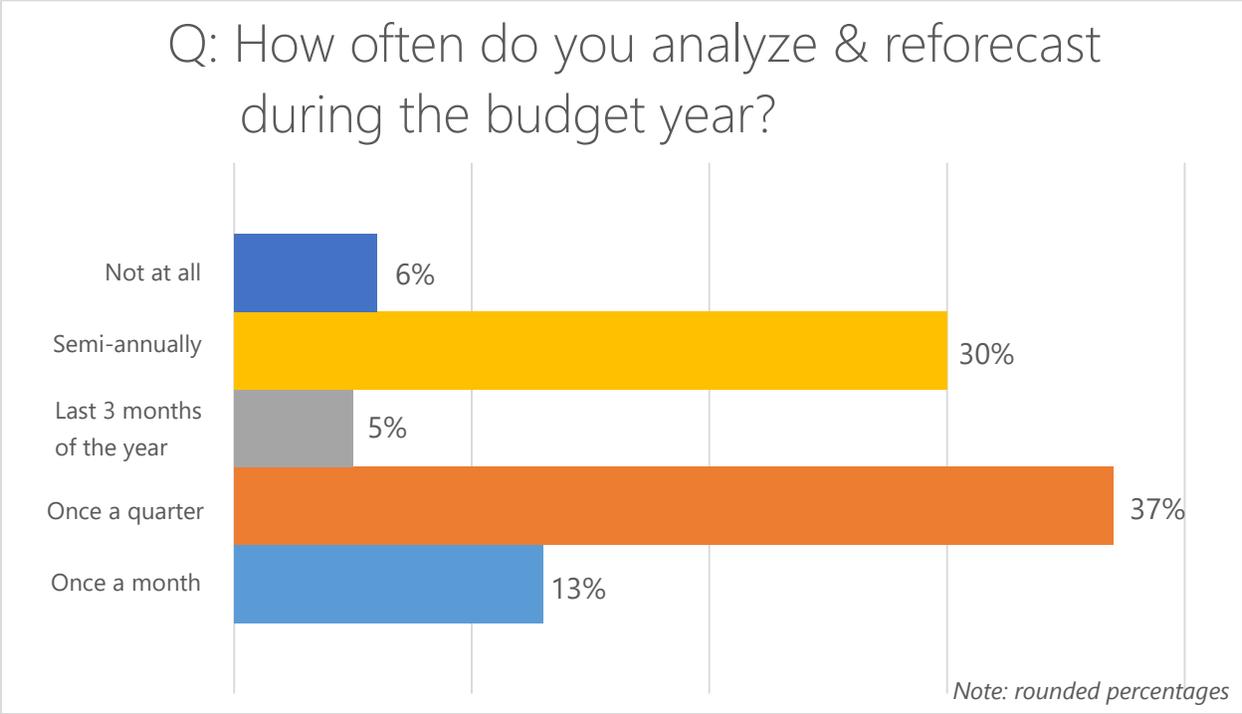
Configure automated alerts to monitor accounts, grants, programs, events or balances on a daily/weekly basis, and go further by validating if there are funds available for transactions prior to making purchases.

## **#10 – Roll your forecast forward**

At any given time, do you know where you stand against your budget and forecast-to-date? How frequently are you forecasting—and how far ahead do you look? Do you have the benefit of a dashboard to reveal budget to actual results?

Accurate forecasting is a critical component of better budgeting. If you’re relying on old financial data to make critical business decisions, it’s time to bring your systems and processes up to speed. Having good, clean data means you can adjust your forecasts based on reality. And putting a new process in place for acquiring good data right now will pay dividends for years to come.

When we asked our respondents how often they analyze and reforecast during the budget year, only 13% reforecast monthly – they’re in the exceptional category. How do you compare? [Take our quick survey](#) to find out.



### #11 – Start planning early

Year-round, flexible planning lets you reevaluate assumptions, change to match actual market conditions and prevent the “Big Bang” year-end budget approach. Planning ahead and seeing your 12-month trajectory opens up new vistas: You can even use this data to automate your estimates for future periods or in development of the next fiscal year budget.

### #12 – Build one source of the truth

As noted throughout the other topics, establishing a centralized data source is imperative to your budgeting success story. By creating an integrated platform that continuously monitors your budget, you protect against the worst pitfalls of the budget process. Managers have one source for accurate, real-time knowledge of where they stand and proactive alerts give them time to prevent problems. As well, you’ve increased your chances of recovery in the case of lost spreadsheets or files. Let the centralized solution manage that for you!



## Streamlined Process Prevents Budget Surprises at APhA

The American Pharmacists Association (APhA) faced constant challenges with its strategic planning, annual budgeting process and actual to budget monitoring. Chief among them: the questionable integrity of the numbers, short review times and no early read on any upcoming variances. "Too often, we would be surprised that our expenses at the end of the year were significantly higher than the projections made in September/October – just a few months before the year close," said CFO Joseph Janela.

Janela and his team created a plan for sustainable change, including a more disciplined approach to the budget process. APhA implemented Solver's new budgeting and reporting BI360 software platform to help support and streamline their budgeting approach.

### Time for a Turnaround

APhA has 80 cost centers with 36 budget managers, which meant 36 different budgeting techniques captured via Excel, Word and email. Janela and his team had to combine all reports manually. Adding to the slog, their system required them to wait until everyone was finished before uploading a single report. With so much time spent gathering data, financials were inevitably published after they were due.

By implementing Solver's BI360, which sits atop APhA's existing financial management system (MS Dynamics), Janela ensures that all budget managers can enter items consistently into the user-friendly software. They can submit their reports at any time during a three-week window. The rolling submissions jumpstart the review process and give the finance staff two to three weeks of precious extra time to respond to the data.

"This year, I closed out budget submissions at 5 pm on a Friday, and I started reviewing the overall budget 30 minutes later," Janela says. "No way could I have done that before."

BroadPoint's budgeting solution and services empowered APhA to easily track variances and generate proactive alerts. Now, APhA staff members can quickly generate high-level reports that show the true financial picture of any activity. They can also monitor numbers year-round to ensure the budget fulfills its role as a vital companion to APhA's strategic plan.

## Recognized Improvement

Janela's team breathes easier because they now have time to fine-tune additional drafts of their budget before it goes to the Board. Their newfound efficiency earned praise from the CEO and finance committee.

Still, Janela's left with one problem: "It was easy to move from a 45-day turnaround to 15 days, but we'll never be able to show such a dramatic improvement again!"

## Conclusion

Yes, you can take the pain away from the budgeting process—and emerge with a budget you can not only live with, but love. Associations and others in the nonprofit space are following these best practices and seeing impressive results. The key is aligning your budget with your broader organizational strategy and employing the right solution to keep your entire team on track.

For more information about applying the Better Budgeting Approach™ in your organization, please contact [info@broadpoint.net](mailto:info@broadpoint.net) or call (301) 634-2456.

# About BroadPoint

Since 2001, BroadPoint has helped hundreds of membership, commercial, and not-for-profit organizations increase engagement, optimize financial performance, enhance employee collaboration and productivity, and gain mission-critical intelligence.

We offer integrated AMS, CRM, ERP and business intelligence solutions, in the cloud or on-premise, powered by leading technology providers such as Microsoft, NetSuite and Advanced Solutions International (ASI).

Headquartered just outside Washington, DC, BroadPoint serves over 400 clients across the United States.

[www.broadpoint.net](http://www.broadpoint.net)

[info@broadpoint.net](mailto:info@broadpoint.net)

(301) 634-2456