

The budget should be a
numerical representation of
the strategy - In your dreams

November 18, 2010

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Creating a culture of accountability

Agenda

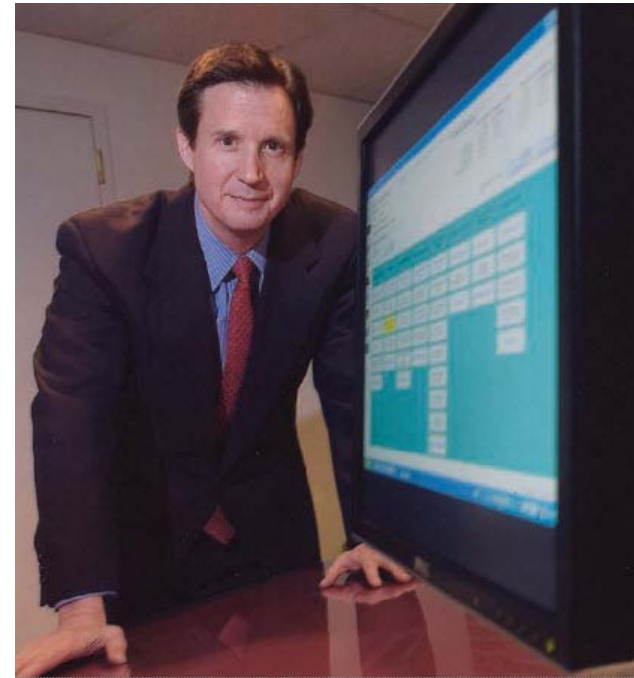
Who we are and why we're here

The Problem

Proposed Solutions

Next Steps

Who we are (panelists)



Who we are (XLerant)

We believe in the art
and science of budgeting.

We Believe

We believe that Excel and Excel look-alike products are not what users want nor need

We believe that budgeting is as much a communication process as it is a financial one

We believe that the financial plan should specifically tie to and support the strategic plan

We believe in making the complex appear simple

We believe in the balance between financial control, user flexibility and IT standards

We believe that budgeting can be done so that department managers can budget for themselves

We believe that no one should ever have to say: "That's not my number"

We believe in guiding, coaching and assisting users through the entire budgeting experience

We believe that budgeting is a critical function that deserves its own application

We believe that budget preparation is at least as important as budget reporting

We believe in doing a limited number of very successful implementations per year

We believe that mid-sized companies need and can have the same budgeting capabilities that large companies have

We believe that companies do not need to spend an enormous amount of money to dramatically improve their budgeting process

We also believe that we are not right for every organization

What is a Strategy?



Strategies are the intentional choices
(means)
... that an organization employs in
order to achieve their goals (ends)

What is a budget?

The budget should be a financial representation of the strategy.

Christopher Van Wyk, Ph.D.
Drew University



Creating a culture of accountability



I own the numbers
I own the strategy
I own the results

Poll: Rating the connection today

Survey

How much of your strategy is visibly reflected in your financial plan/budget today?

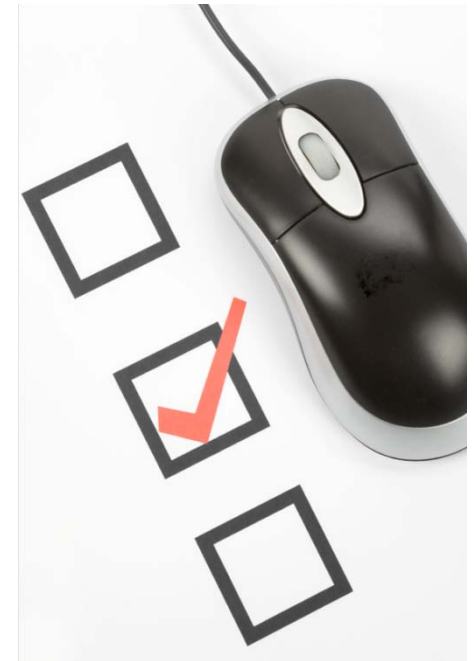
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Agenda

Who we are and why we're here

The Problem

- Problem description
- Reasons for the problem
- Consequences

Proposed Solutions

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Problem Description

It's pretty simple

We are not budgeting to strategy, we are budgeting to history or politics or something else

Strategy and the budget quickly part company



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Reasons for the problem

- Strategy is not well documented, understood or bought into by managers.
 - *It may be in the head of CEO, but is not clearly documented or communicated.*
 - *It is written in too much complexity or too much detail.*
- People do not like change to begin with and are more comfortable doing what they have always done.
 - *Do not discount the importance and need for change management.*
- Most budgeting systems do not offer the right functionality to tie financial plan to strategic plan.
 - *Excel is not designed for this.*
- There really isn't a "culture of accountability" for delivering what's promised in the budget or the strategy in most organizations.
- There is a leadership gap on this issue, perhaps because people do not know that solutions exist or what these solutions are.

Poll: What's your situation?

Survey

What are the reasons holding your organization back?

- Strategy is not well documented, understood or bought into.
- People do not like change.
- The budget system doesn't have functionality to tie the financial plan to strategic plan.
- We do not have a culture of accountability for directly relating the budget to the strategic plan
- People do not want to tackle the issue, or step in to lead.



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Solutions

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Consequences – The Circle of Doom

- The strategy never gets implemented *“Isn’t this where we were three years ago?”*
- Causing organizations to miss their numbers
- Then the Board gets frustrated and thinks that the strategy isn’t working (when the issue was that it wasn’t properly resourced)
- Employees lose confidence, disengaged... good people leave
- Resources are wasted and opportunities are lost
- Business declines, stock price/valuation declines
- If non-profit, giving goes down
- Overall morale issues develop and then
- Layoffs begin

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Proposed Solutions

1. Develop a strategic plan
2. Simple, well communicated, understood, with clear roles
3. Build consensus and support that your budget will be driven by the strategic plan not history or politics
4. Develop specific initiatives to support the strategy
5. Set goals for each initiative and prioritize them
6. Allow users to budget for the strategic initiatives (not just COA)
7. Establish clear accountability
8. Assure cross departmental alignment
9. Ask the hard questions
10. Assign clear roles to the budget & strategy managers

1 of 10: Develop an actionable strategic plan

A few practical recommendations:

- What is the Marketplace that your organization plays in?
- What are the trends of your customers/consumers/stakeholders in this Marketplace?
- What are the things that your organization does uniquely well (strengths)?
- What are the opportunities that exist in the Marketplace where you can leverage your strengths?
- Turn this intersection of strengths and opportunities into SMART goals.
- For each SMART goal, ask the question, “What choices do we need to make in order to achieve our goal”. There are typically multiple strategies that are tied to each goal. Ballpark is three to six.
- Can your organization articulate it's winning strategy?

2 of 10: Strategy Must Be Clear, Concise and Compelling AND Owned

- **Very clear** strategy
- Limit to **two pages**
- Make sure that it is **well understood**
- Make sure that **each department head** can articulate their role in achieving it
- **Constantly** communicate
- Make sure that **each employee** can articulate the strategy and their role in the strategy
- Hold departmental **town hall meetings**



3 of 10: Build consensus & support

- You need to ask yourself, do you want your budget to be driven by strategy or by history/politics?
- Have managers pledge to budget to strategy
- Rethink “Zero-based budgeting” concepts

“The financial plan should be the numerical representation of the strategy”



4 of 10: Develop specific initiatives to achieve the strategy

- Develop the specific strategic initiatives or projects that are required to achieve the strategy
- Prioritize the initiatives so that potential budget constraints are clearly determined and not left to managers to determine



5 of 10: Set goals for each initiative (think SMART)

- How much of the budget goes towards supporting strategy and how much goes towards SOP
- Think through what targets you would ideally like to set on each initiative as a percentage of the total budget
- Think though how much each area should target to support the initiative as a percentage of their total budget



6 of 10: Allow users to budget for the initiatives (not just COA)

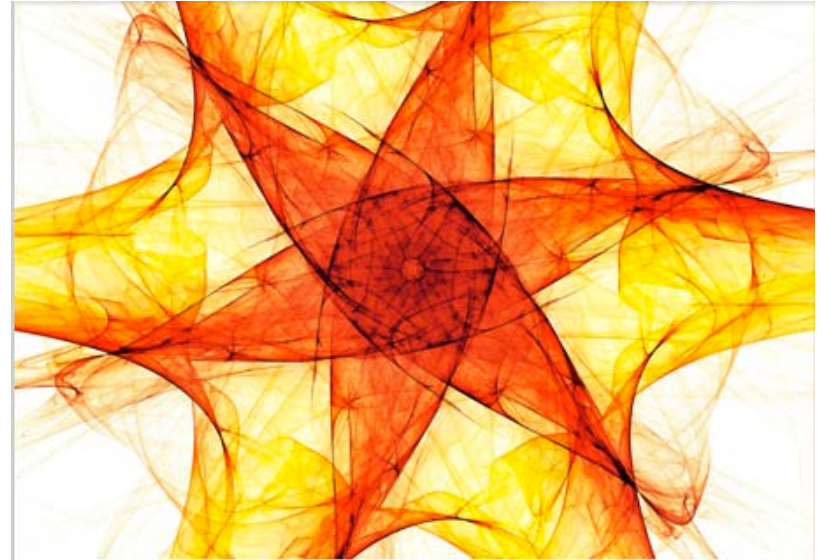
- Implement a budgeting system that allows users to budget by strategic initiatives rather than only COA.
- Tag initiatives in a way that protects them in the heat of balancing the budget in the end



Description	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales													
Total	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$1,200,000
Marketing													
Total	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$600,000
Training													
Total	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$600,000

7 of 10: Establish clear accountability

- Document expenditures and tag them to initiatives
- Have a Strategic Plan audit trail
- Budget review sessions that start with initiatives, not COA spending
- Building strategic initiatives right into the budget workflow
- Be prepared for resistance to change – require strategic justification for budgeted expenditures



8 of 10: Assure cross-departmental alignment

- Make certain that assumptions in one area match assumptions in another area
- Hold cross-departmental budget review sessions that are strategy oriented not department oriented



9 of 10: Ask the hard questions

- Where specifically are you funding strategy 1?
- What are the consequences of each deviation is for specific strategies?
- Have you achieved each of your initiative metrics?
- If you invested more in initiative “A”, can you reduce SOP and still manage the business properly



10 of 10: Assign clear roles to the budget & strategy managers

- Budget manager is involved in strategy sessions
- Strategy manager is involved in every departmental budget review
- In the extreme have each run the others review.
- Design a blueprint for strategy thru budgeting as one end-to-end process.



and remember: Perfection is the enemy of
the good



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Recommended Reading



Making Strategy Work: Leading Effective Execution and Change

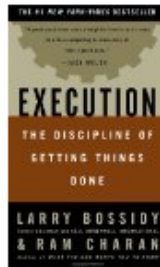
[Edit entry](#) | [Delete](#)

by Lawrence G. Hrebiniak

[See this book on Amazon »](#)

Lawrence is reading this book

Comment: "Strategy and budgeting"



Execution: The Discipline of Getting Things Done

[Edit entry](#) | [Delete](#)

by Larry Bossidy, Ram Charan, Charles Burck

[See this book on Amazon »](#)

Lawrence has read this book

Comment: "Larry presents some practical advice on budgeting and planning"



Knowing "What" to Do Is Not Enough: Understanding the Knowing-Doing Gap

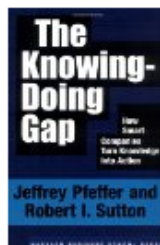
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by Jeffrey Pfeffer, Robert I. Sutton

[See this book on Amazon »](#)

Lawrence has read this book

Comment: "Jeff knows what he's talking about"



The Knowing-Doing Gap: How Smart Companies Turn Knowledge into Action

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by Jeffrey Pfeffer, Robert I. Sutton

[See this book on Amazon »](#)

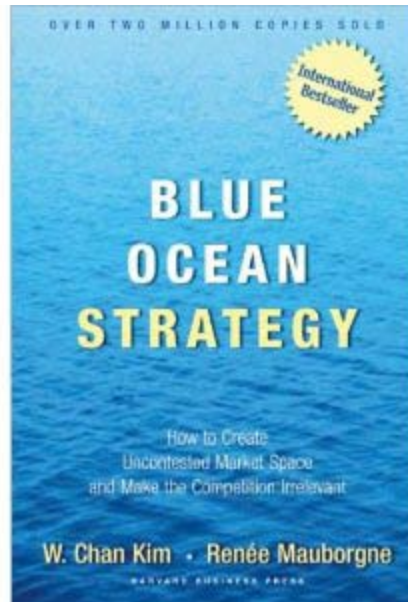
Lawrence has read this book



Recommended

Comment: "From one of the most successful CEO's a practical how to guide"

More Recommended Reading



Next steps

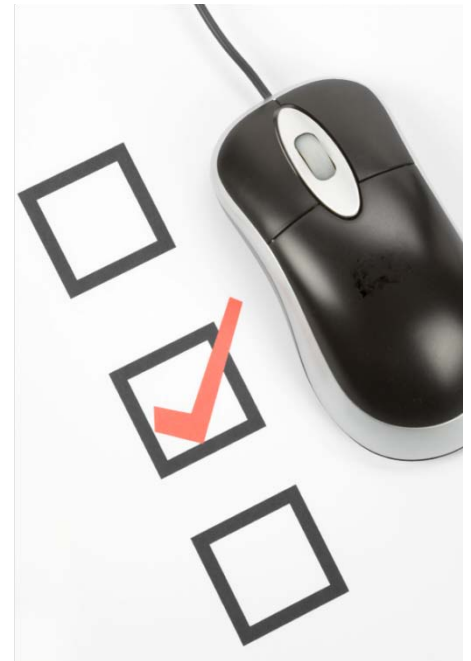
- We can help you with how to implement strategy
- We can show you how integrate it into your budget process
- Free Budget Intelligence Audit
- Recorded version of this webinar is available

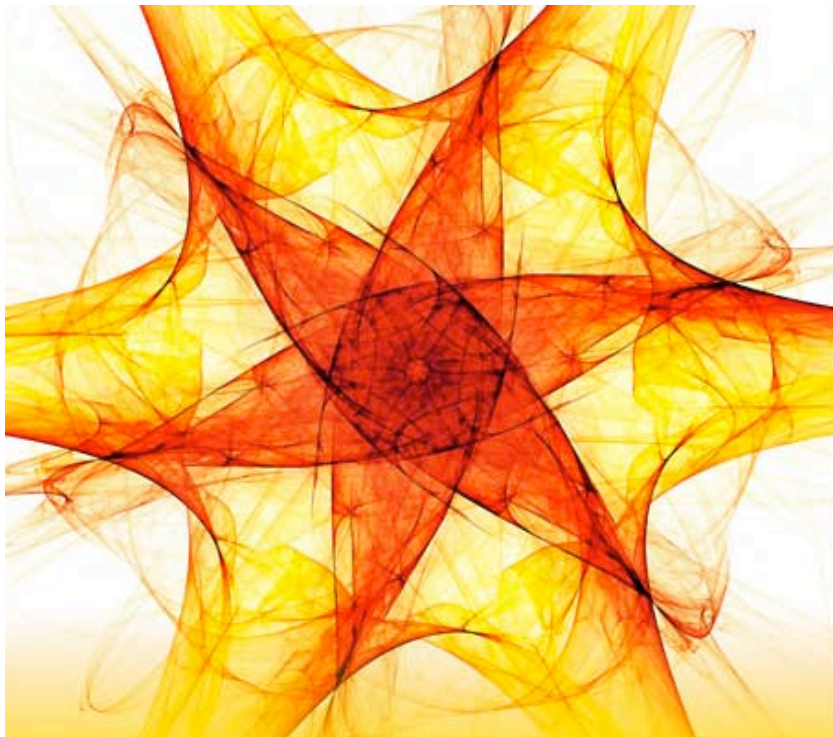
Poll: What's your feedback?

Survey

What's your feedback on the webinar?

- Very thought provoking, I learned a lot
- I discovered some useful ideas today
- Overall, it was satisfactory
- It was less than satisfactory
- It failed to deliver anything useful to me





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of budgeting

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