***Agreeing your budget***

An earlier article in this section looks at the process of linking your budget to your objectives.

Whether budgets are allocated to you, or whether they come out of a two way discussion process, you mustn’t agree to your budget until you understand how you intend to fulfil your objectives within your budget.

Even if your objectives and budget are allocated to you without discussion, you must make this link. If you know before the start of the year that you can’t achieve your objectives within budget, the company has a problem.

The problem might be your unfulfilled objectives. This might only be a minor inconvenience, but what if it delays the launch of the new product that the company’s hopes rest upon?

Alternatively, the problem might be that you exceed your budget in order to achieve your targets. This might not matter too much, but the worst case scenario is that the company missies its profit targets, issues a profit warning, and the company gets taken over when the share price drops as a result of the profit warning.

So ensuring you can fulfil your objectives within budget is a serious issue!

So what can you do if you can’t reconcile your budget and objectives?

1. First, involve your team to look at different ways in which you could achieve your objectives within budget. Your team will have ideas that haven’t occurred to you.
2. Then work out how much budget you need if you are to achieve all your objectives. Also, work out which objectives you can achieve within the budget you have been allocated.
3. Make sure you think through the full implications of not hitting all your objectives. Also make sure you’ve prioritised those objectives. Which are the least important? Which ones must you hit?
4. Discuss this with your manager and/or the Finance department. To make ends meet, you’ll either need more budget allocation, or a compromise on your objectives. You may well find your manager telling you that your objectives come first, and the Finance department telling you the budget is more important!

I’m not an advocate of ‘backside covering’, but if there’s no movement on either your objectives or your budget, it’s worth keeping a record of these conversations. It’s also worth considering that you’re being set up to fail and you may be working for the wrong company!