

Budgeting Encompasses more than just Finances

Budgeting is a term you either love or hate. Often you will hear instances such as; Are we sticking to the budget? We are under budget or the dreaded – We've gone over budget. However, a budget is not simply a restricted pot of money.



Meeting Expectations

Budgeting concerns so much more than just allocating finances. They set an expectation. When assigned a budget you are expected to deliver the best possible outcome within its parameters. Assigning a budget to a manager offers up a lot of responsibility, to which their team must deliver. Their ability to stick to the budget and achieve a goal is a true test of their capabilities.

Why? Well, for a manager, sticking to a budget can be very difficult. The budget often restricts them from doing what they ideally want to achieve. However, the company's priorities aren't often the same as the departments. It is possible that the company may want to generate more awareness of their brand and so increases the Marketing budget. A consequence of this could be that it limits the budget for Operations who planned on purchasing equipment to improve efficiencies in its Total Quality Management, in order to reach quality targets.

This change in the budget now sets larger parameters on the manager. They now have to try and achieve a result they know they can achieve with the right equipment, but now will not have. This challenges the manager to try and motivate their team to perform efficiently through alternative ways. This affects the team and could potentially demotivate them, as they have to work harder for a result they could achieve when they had their original budget. The manager now has to delegate more responsibility and spend more time investing in motivation techniques. If this results in their plan failing, the manager will have to act quickly to eliminate losses while still trying to remain on target.

Budgeting allows the company to see how well each of their departments is performing and can either bring the manager opportunities to progress in the company or even identify their own vulnerabilities. All in the pursuit of growth.

Conclusion

Controlling budgets truly test the manager's skills, such as time management, leadership, strategy and communication. This is the purpose of budgets, they allow you to best utilise your funds and resources to organise your business, its shareholders and resources accordingly. The aforementioned, can motivate your teams, empower your managers and overall teach your workforce to develop better strategies and procedures.

The main takeaway from this is that assigning budgets to a department in your business helps organise what capital is available and expendable in the pursuit of growth. It provides insight into where a business can better invest its funds and resources; such as upskilling a manager, acquiring better equipment, outsourcing a professional or saved for future investment.

Should you wish to contact Hayward Miller Ltd and talk about how we can support your company, please call **01842 821 440**. Alternatively, you may wish to communicate with us via our [Website's contact form](#).