




### The Budget Buffer

Sound  
familiar?



They cut our budgets by 10% last year so we need to add that to our submission this year.

When all budget goals are developed from **the top-down**, you risk a **lack of engagement** from those on the “shop-floor”. Your front-line people will not be interested.

When this occurs, your people will **add a buffer to their budget** submission. It will **not be supported** by a resource plan. It will not be supported by a risk assessment or a priority of works.

This is a **reaction** to a top-down approach where a reduction in budget **has not been explained** to the lower levels of the organisation.

**Understanding and overcoming** this reaction to budgeting will improve the quality and accuracy of your budget.

I'm Robert Bihar. I write about Finance for Operational Leaders and their teams.  
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## Budget Band-Aid #2

### The Budget Bombshell

Where are you getting your numbers from?"

This is the second band-aid that all budget owners face.

My numbers are different to your numbers!

When you don't have regular budget tracking "touch points", you risk a **lack of engagement** from your budget owners and their teams. Especially when the numbers include surprises or "budget bombshells".

When this occurs, your people will **question the numbers**. It is the first time they are seeing their numbers for the month.

This is a **reaction** to being overwhelmed by **data they don't understand**. Nobody likes surprises. Especially when they find out after the fact.

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### The Budget Balancing Act

We are going to be over so don't book that out this month

Heard this before?

We don't want to carry that cost into next year. Book it now

When your **measures are one dimensional**, you risk your budget owners overlooking the impact that their decisions will have on other areas of the business.

The **short-term focus** on balancing the budget will take precedence over the longer-term effect.

This is a **reaction** to being **measured on short-term outcomes**. Nobody likes to see their numbers in red. Especially when they are being judged by their bosses and peers.

**The more ambitious the budget target, the more likely other factors will be overlooked.**

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### The Budget Bump

We've always booked those costs to maintenance. They have the biggest budget."

We can't book those costs there. They don't have a budget

Sound familiar?

When your measures focus on one area or department, you **risk encouraging a silo mentality.**

This is where departments will work in isolation. They will act in their best interests. They operate in their own silo.

The **more ambiguous the budget target, the more likely your people are going to "bump" their costs to other areas.**

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### The Budget Bucket



I can't predict my costs with any level of confidence.

Heard this before?

The **more murky the lines of budget ownership**, the more likely your people are going to talk at the higher **“bucket”** level.

When you throw a lot of **inputs into the same bucket**, it is impossible to predict what is going to happen in the future.

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