BUSINESS STRATEGY & GROWTH

Budgeting - More than just Finance

By Leyla Hussein • 21 May 2019

I once watched a capable **[operations manager]** have half his equipment budget quietly moved into marketing three weeks into a project. He had planned everything around a machine he was now not going to get, and he had the same target to hit regardless. The word budget can sound like accountancy. In that moment it was nothing of the sort. It was a test of the man.

Budgeting is a word people either love or hate. You hear it in the same three sentences everywhere. Are we sticking to the budget? We are under budget. And the dreaded, we have gone over. But a budget is not just a restricted pot of money.

It sets an expectation

Budgeting is about far more than allocating cash. It sets an expectation. When you are handed a budget, you are expected to deliver the best possible outcome inside its limits. Give a manager a budget and you have given them real responsibility, one their whole team has to help discharge. How well they hold to it while still hitting the goal is a genuine measure of what they can do.

And it is difficult, because a budget often stops a manager doing what they would ideally do. Company priorities and departmental priorities are rarely the same. The business might decide it wants more brand awareness and lift **[the marketing budget]**, and the consequence lands somewhere else entirely. Operations, who were counting on new equipment to improve efficiency and hit their quality targets, suddenly find their own budget squeezed.

Now that operations manager is boxed into tighter parameters. He has to reach a result he knows he could have reached with the right kit, without the kit. So he has to find another way to get his team performing, which is its own challenge, because people who have to work harder for an outcome they used to get more easily can quickly lose heart. He ends up delegating more and spending real time on motivation. And if the plan starts to fail, he has to move fast to cut the losses while somehow staying on target. That is not a spreadsheet exercise. That is leadership under constraint.

Handled well, budgeting shows the company exactly how each department is performing. It can surface a manager ready for progression, or expose a weakness that needs work, all in the service of growth.

What budgets really do

Controlling a budget tests the skills that matter most in a manager: time management, leadership, strategy and communication. That is the whole point of them. They let you make the best use of your **funds and resources**, and organise the business and its shareholders accordingly. Done properly, they motivate teams, empower managers, and teach a workforce to build better strategies and sharper procedures.

So the takeaway is this. Assigning budgets to your departments organises what capital is genuinely available and expendable in the pursuit of growth. It shows you where the business could invest better, whether that means upskilling a manager, buying better equipment, outsourcing a specialist, or holding the money back for a future move. A budget is not a cage. It is one of the clearest lenses you have on your own company.