DANOSKY & ASSOCIATES

Consulting for Nonprofits

Certified
Governance
Consultant
BoardSource

It's Annual Budget Time;
Don't Go it Alone – Make it a Collaborative Effort

By Christine Lent

Early in my career, I was the CFO of a start-up organization and I would prepare our annual budget in my office with some input from the CEO. I would then summarily hand out the budget to the various department heads and wonder why we had variances each month to the budget!

I had not gathered any input from the management team and wasn't even sure we had shared goals or vision of how to fulfill our mission. Without building consensus and buy-in from the management team, we had a difficult task ahead of us to meet the plan I had put together for the year. A collaborative budget process helps to ensure the viability of the annual plan. It is also a team building exercise. Your staff should attend budget meetings with data, program goals, and assumptions for next year. If assumptions are properly vetted, and everyone is working towards common goals for your strategic plan and mission, you have a greater probability of success.

Therefore, a successful collaborative budget process includes a shared understanding of the goals, mutual trust and the right people on the budget team. There needs to be a common understanding of the constraints and non-negotiable items in the budget. Common assumptions should be reality-based and data-driven. Agree on priorities. And there needs to be sufficient time allowed for each participant involved to prepare for the budget meetings.

I was talking to a client recently who was working on revising her annual budget and lamenting over the impending state budget cuts. Unfortunately she didn't have her collaborative team in place to brainstorm ideas and get buy-in for any substantial cuts that had to be made.

Don't take on the scenario planning for possible budget cuts on your own. Budgets and financial modeling shouldn't be done in a silo, input from all areas of the organization should be tapped for ideas.

Use the collective knowledge and experience of your team. There is power in collaboration!