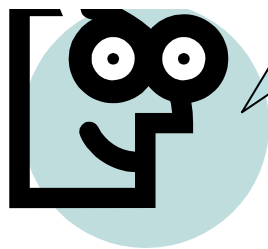




Why can't I spend money  
for my project?

...it's in the budget!



What's wrong  
with this?



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**Budgeting is a  
*Leadership* Function**



# The Leader's Responsibility

To build an organization that...

- ✓ acts strategically to achieve goals
- ✓ is disciplined, does not squander resources, and tracks progress
- ✓ is well integrated, so that people work together and not at odds with one another



# Strategic and Inclusive Budgeting

The Leader's tool for building...

- ✓ Strategic Actions
- ✓ Discipline
- ✓ Integration



## Inclusive Budgeting

- ✓ All budget decisions are made in groups.
- ✓ No independent decisions.
- ✓ Non one-on-one negotiations.



# Budget Leadership Group (BLG)

CEO facilitates discussions, provides long range strategic perspective.

CFO/Business Manager provides data, input forms, budget spreadsheet

Department Heads represent functions but act in interest of the whole



# **Strategic Budgeting**

***What do we need to achieve next year in order to progress toward our long term strategic goals?***

BLG reviews goals and decides as a group what needs to be accomplished. Sets institutional priorities based on strategic importance and what is reasonable.



# Constraints

CFO presents budgetary constraints for discussion by BLG:

- ✓ *Reasonable Revenue Growth*
- ✓ *Fixed Operating Costs*
- ✓ *Reserve Funds*
- ✓ *Salaries and Benefits*



# Department/Unit Level Inclusion

Group decisions at every level.

***Given the organization's strategic priorities, what does our unit need to achieve next year?***

*What will each activity cost?*

*What revenue will each activity generate?*



# Strategic Job Descriptions

- Your first responsibility is the success of the whole organization.
- Your second responsibility is the success of your co-workers.
- Your third responsibility is to perform the functions of your job.



## Accumulate the Estimates

Work units present cost and revenue estimates at departmental level.

Departmental leaders discuss, revise, and send estimates to CFO

CFO accumulates all department estimates for consideration by the BLG.



# Stretch Budgeting

BLG addresses the gap between estimated costs and estimated revenue.

*What could be cut? What would be the impact?*

*What additional revenue could we project? What would it take?*



# Dialogue

BLG members seek to understand the rationale behind each budget item. They ask each other questions.

***This takes time!***

Gets much faster with each successive year.



## Benefits of Strategic Budgeting

- ✓ Money is allocated to those activities that drive the organization toward its strategic goals.
- ✓ At every level, work is linked to strategic goals.
- ✓ People begin to understand how their work impacts overall organizational success.



## Benefits of Inclusive Budgeting

- ✓ Individuals have a better understanding of finances
  - How and why funds were allocated in certain ways
  - The importance of revenue goals
  
- ✓ Useful in identifying duplicate costs or costs that have been overlooked.
  
- ✓ Especially helpful in budgeting for cross-departmental activities.



# The Greatest Benefit

Commitment to the budget is a commitment to one another...not just following a directive from the CEO or CFO.

People are more inclined to take initiative and cooperate

- ✓ To hold down costs
- ✓ To help with revenue generating activities



# Fundraising Goals

- The annual development goal is often a “plug” figure, expected to fill the gap between projected income and expenses.
- Setting realistic fundraising goals is part of the strategic and inclusive budgeting process.
- Achievable goals are based on gift opportunities, fundraising history, and careful analysis and planning.



# The Work of Development

The real work of development is:

Relationship building that leads to fundraising dollars

This is accomplished when board and staff help the institution by:

- Making connections
- Becoming advocates for the organization
- Coordinating the effort and the work



# Benefits of Strategic Budgeting

- As a result of Strategic Budgeting, the Development Officer is better informed about the big picture and the priorities that guide the work.
- Staff see how development is aligned with the strategic plan and annual objectives.
- They gain a fuller understand of the scope of the development operation and their own role in its success



# The Role of Staff

- They are more likely to cooperate with development, meet deadlines, and support the overall effort.
- When revenue is tight, they are more apt to engage in solving the problem.
- They begin to see the value in communicating contacts.



# Donor Centered Fundraising

- Staff begin to recognize their role in donor cultivation.
- They see the payoffs in introducing new opportunities to donors and new prospects to the institution.
- They become more accepting of the need to respond to donors' interests.
- They become more sensitive to donors and more sincere in their interactions.



# Attitudes Towards Money

Attitudes about money vary widely, and discussions of money are often seen as impolite.

- As staff participate in development, they move beyond their negative feelings about money.
- They begin to see their Museum as *worthy*.
- They recognize how individual donors want to participate and they learn how to invite them in.



## The Role is Yours

“Money moves through us --sometimes as a rushing river and sometimes as a trickle..., like a stream when it is blocked, [it] can stagnate.”

Lynne Twist, *The Soul of Money*

Staff and board members can collaborate and cooperate with Development to increase the flow or they can allow missed opportunities to become barriers to success.

# The Director's Job

Strategic  
Planning

Setting  
Annual Goals

Budgeting

Financial  
Monitoring

Setting Staff  
Goals

Dealing with  
Disgruntled  
Staff

Annual Goals  
Review

Motivating  
Staff

Staff Reviews

KEEPING  
THE BOARD  
HAPPY





# Two Years Ago

- Budget was “Director’s Job”
- One month process, conducted in a vacuum
- Last year’s expenses + 3% + new initiatives
- Gap = Fundraising Goal
- Focus on expenses, hope revenue takes care of itself.

# Changes We've Made

- De-centralize the budget
- Delegated responsibility AND authority
- Six month process: starts in July
- Start with realistic revenue projections

# Impact

- Staff at all levels taking ownership.
  - Better stewardship of resources.
  - Encourages creativity.
  - Underscores the importance of classifying and tracking expenses.
    - BUDGET TIME: “WHAT IS ALL THIS MISCELLANEOUS EXPENSE?”

# Impact (continued)

- Remove suspicion--“PET PROJECTS”
- Cuts down on “vigilante” fundraising
- Moved organization away from “crisis spending” to “strategic spending”.
- Shields against board micromanagement.



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# **Budgeting is a *Leadership* Function**

Leave your business card to  
receive a

Strategic and Inclusive  
Budgeting Workbook