

## How to Establish Good Budget Control: Basic Tip and Its Secret

By Bruce Nagy, President/CEO of Catalyst Technologies

How do you ensure that you establish anything in business? Plan on it. Create a comprehensive plan to establish good budget control practices. It may seem like an obvious, basic tip, but creating a budget control plan is often overlooked. A plan provides the specific road map to ensuring management receives the value expected from the money being spent. A comprehensive plan contains instruction on how the workforce is to deal with work-related issues without compromising budget, quality or customer satisfaction. Needless-to-say, this makes developing a plan that addresses all potential issues quite challenging. In response, the following describes key ingredients for and reveals the secret to a proven approach that makes it easier to create and maintain a comprehensive plan.

You might already know what should be avoided when creating a budget control plan. Good budget control practices are not about rigid efficiency measures or using micro-management approaches to track dollars spent. If your organization is using either of these practices, you may need to step back and consider why they are needed. Are you having issues with understanding what is expected, estimating what is needed, or reliably achieving results within the budget constraints provided? If so, the type of plan I suggest will provide a better solution. If your organization is not using these restrictive practices, then this type of plan ensures they never will. The plan I'm suggesting also ensures you gain peace of mind in knowing that your expectations will be reliably achieved within the budget provided.

A comprehensive budget control plan provides direction in meeting business goals without compromising budget, quality or customer satisfaction. Again, it's easier said than done. A good plan also avoids compromising people. Here's my golden rule: if you want to "create more gold," never compromise the quality of work from a person that wants to deliver you quality work. Sometime the obvious does need to be stated. To put it another way, if you want to control a budget, make sure the

people spending it are not compromising quality or customer satisfaction to stay within it.

The key to a comprehensive budget control plan is to provide your people with answers in time to prevent financial loss or missed goals, without compromising cost, quality or customer satisfaction. Any ideas on how to accomplish that? Apply those ideas to some of the following questions that often surface within an organization: "What do I do when I don't have enough resources or time? What do I do when I have too small a budget for too big a job?" How would you answer these questions in a way that achieves the expected results within the financial estimates, without compromising quality or customer satisfaction? That's the goal. These hard questions require intelligent, thought-out answers.

A budget control plan needs to provide the know-how to ensure any number of projects, processes, events or initiatives are successful - no matter how daunting the issues or challenges. So, what if you don't have a budget control plan that answers these questions? Need I state the obvious? Expect compromises in cost, quality and customer satisfaction. Expect your workforce to be victimized by change or the unknown (following Murphy's Law). Expect the worst and hope for the best.

If you can't answer these questions in a budget control plan when you have time to think about them, to brainstorm over them with experienced colleagues, then how do you expect managers to intelligently deal with these challenges when they are inundated with a multitude of pressures, time commitments and other "hazardous to their health" events. I like to hope for the best. I also believe that emotional intelligence along with a dose of pressure can be a good thing, but not with a budget - and not when it can be avoided. So far I have named just a few of the key questions that need to be answered in a budget control plan. Every organization has a unique set of challenges.

All the answers in the budget control plan are to ensure workers don't compromise on their quality of

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work – eliminating unwanted compromise “creates more gold.” A comprehensive budget control plan is about “creating more gold.” It is one of the most important assets to have before you start a project, initiative, process, or event in your organization. And if you already started, better late than never to avoid future compromises. A budget control plan is about ensuring the future is as you want it to be – without the need to compromise on what is important.

If an organization needs to spend money, then it needs to have control over how it is spent. A budget control plan gives an organization that control.

Let me reveal the secret to creating a comprehensive budget control plan. The goal of a comprehensive plan is to have answers in time to avoid budget, quality and customer satisfaction compromises. Let’s face it, to have a plan with all the answers to all the potential issues would be a huge undertaking. The secret is having the plan describe an approach that allows the workforce to discover the “right” answers when issues arise. The plan doesn’t need to have all the answers, if it can provide the approach to discover them. If the discovery approach is not comprehensive as described, applying to all possible issues, then the plan’s impact on budget control is limited. Creating a comprehensive discovery approach to apply to all issues is challenging.

To overcome this challenge, I recommend developing an algorithm, a combined metric and method-based approach, which allows the workforce to always discover the “right” answers to challenges. The algorithm would even allow management to discover the “right” answers to questions like: What do I do when I don’t have enough resources or time? What do I do when my budget is too small for too big a job? How do I get the expected results within the budget provided without compromising quality or customer satisfaction?

I developed a three-part algorithm that allows you to objectively answer these and other challenging question. The first part objectively assesses your workflow to either discover hidden issues or analyze existing ones in terms of severity. The first part is like a triage approach, finding what needs to be addressed in terms of severity to the organization’s control of its budget.

The first part of the algorithm identifies the core challenges. The second part deals with issues in a way that ensures expectations are met within the budget provided. The second part provides the answers using metrics and a dashboard to ensure visibility in having the “right” answers when dealing with the issues. The third part of the algorithm focuses on learning to have better “right” answers. No plan is perfect, the algorithm has an approach to ensure you get as close as possible in terms of “right” answers. The algorithm also outputs lessons learned from a team/group to share their “right” answers with other teams/groups.

When using this three-step algorithm approach, the “right” answers are metrically validated in terms of budget, quality and customer satisfaction. Whether you use an algorithm to help discover all the “right” answers or have all the “right” answers outlined in a document, the key is to develop and use a budget control plan. There is no time like the present to create a comprehensive plan. Without this valuable aid, management will be regularly subjected to unwanted compromises. If you want to “create more gold,” never compromise the quality of work from a person that wants to deliver quality work. It is not just waste; it’s bad for business. In the long term, unwanted compromise creates bad habits and sends the wrong message to everyone.

Establishing a comprehensive budget control plan is more than a nice-to-have asset within an organization. It is a vital necessity to ensure your workforce doesn’t compromise on budget, quality or customer satisfaction. That’s good for business.

***The author:*** Bruce Nagy is the founder of Catalyst Technologies, a cutting-edge firm specializing in budget control. He has degrees in mathematics, science and engineering, and was first to develop an algorithm to implement budget control. In the course of his career, Mr. Nagy developed 18 different budget control products supporting various size organizations, including Fortune 500 companies and the federal government. To learn of more about developing comprehensive budget control plans, visit: <http://www.catalysttechnologies.com/>