

Budgeting – Embrace the Mess



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Most organizations I deal with do not enjoy the budgeting process...

Correction: most organizations I deal with *hate* the budgeting process. They spend two months suffering through the budgeting process and 10 months dreading the next budgeting process.

Have we ever thought about why?

This is the first part of a series designed to explore the ins and outs of the budget process. There is no better place to start than with the squirmy dread that the budget process often triggers.

So why do organizations hate budgeting? What causes seasoned executives to whimper in fear and the most balanced of accountants to break an excessive amount of lead from their mechanical pencils? Here are five realities that need to be checked when entering a budget process:

1. The Uncertainty Circus

Many budgeters feel like budgeting is akin to building a horoscope with organizational finances. Most humans are uncomfortable with the unknown and do not want to think about it, much less put it on a spreadsheet to be scrutinized.

2. The Cognitive Bias Bloopers

We all have cognitive biases. When applied to a budgeting process, these cognitive biases put together an entertaining blooper reel. First, we have the Overconfidence Bias. Captain Overconfidence thinks the budget is gold and cannot fathom being wrong. Then we have Confirmation Bias, an expert in finding information to support what is believed to be true, regardless of relevance, source, or accuracy. Lastly you have the coolest bias of all, Status Quo Bias, whose tagline is “if it ain’t broken, don’t fix it.” These three and many other forms of bias come together to put on a comedy routine within the budgeters thought process, leaving him or her to question what is real and what is not.

3. Resource Wars: A Budgeting Battle Royale

In one corner you have human resources, in another you have marketing, and in another you have the sales team. Each group has their eye on that shiny prize they want to spend your budget dollars on. Budgeting meetings turn into a C-SPAN deluge with many words and little substance. There are no winners, only losers with the budgeter being the biggest loser of all (or so they are often told).

4. Constraints: The Budget Gurney

Annually, the budgeter decides that they are going to toss aside their proclivity towards weekly meal prep and advanced wardrobe planning in favor of a spontaneous creative bent towards life. Unfortunately, that annual disposition coincides with the budgeting process. The budgeter feels their creative zest is stifled by the rigid nature of a budget. Their dream of dreams not yet construed is squashed by the tyranny of a budget. They cannot spell creativity, but they know the budget process is suppressing their creative outlets.

5. The Budget Meeting Nap Time

Then, there is the issue of employee engagement. The budgeter may take their task seriously, even if they do not enjoy it. How do they get team members involved in the process? Weeks of built-up angst over the budget process pour out during budgeting meetings, turning what should be a lively conversation into a monologue. The room warms up, eyelids get heavy, and participation vanishes. If team members are not actively involved in the budget conversation, then these meetings turn into a snooze fest rather quickly.

This is an attempt to take a humorous approach to a challenge for many organizations. A budgeting process does make us explore the uncertainty of tomorrow, deal with our interpretation of reality, deal with the agendas of our colleagues, wrestle with what we want to do versus what we realistically can do well, and then get departmental collaboration before finalizing everything. It is not easy, but it's valuable.

Our next several posts are going to be focused on the budgeting process, starting with the next post with some thoughts around why an organization should make budgeting an annual priority.

The accounting and financial outsourcing team at [Dean Dorton](#) has considerable experience in helping organizations of all sizes design, build, implement and monitor a budgeting process. Sometimes we drive the entire process and sometimes we simply brainstorm ideas or act as cheerleaders as our clients move through their annual budgeting process. We are here to help!