

## Strategic Budgeting

### PMM5 Postscript™ Number 3

**Background Information:** While accounting may not be at the forefront of meeting managers' skill sets, the need for financial accountability is of paramount importance. Setting, maintaining and managing a budget are responsibilities that meeting managers must take seriously. Chapter 3 of *Professional Meeting Management*®, fifth edition, outlines the steps for meeting managers to:

- Create an income and expense budget
- Meet financial objectives by increasing income or reducing expenses
- Produce financial reporting
- Analyze financial reports and make decisions
- Manage fund before, during and after the meeting

**PMM5 Postscript Use:** Strategic budgeting is an essential tool for meeting managers. Strategic budgeting allows meeting managers to improve resource allocation, create influential meetings, demonstrate more value and gain a competitive edge for their organization. This PMM5 Postscript™ moves beyond balancing budgets to examine how to interrelate the meeting's goals and objectives to the financial resources of an event. With these skills, a meeting manager is empowered to assume a more important role in helping the organization meet its objectives. The PMM5 Postscript™ also includes additional group discussion or research projects to supplement the PMM5 chapter.

**Learner Outcomes:** At the completion of this reading, you should be able to:

- Define the six steps in strategic budgeting.
- Formulate at least three strategies to manage the "people factor" when budgeting.
- Assemble a list of at least three cost saving strategies.
- Identify two ways to strategically trim a budget.

**Related PMM5 Chapter:** Chapter 3, *Professional Meeting Management*®, fifth edition  
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## Strategic Budgeting

On the surface, budgets are all about the numbers. Budgeting and "working the numbers" are important skills. But budgeting goes beyond a spreadsheet. Budgeting is never completed in a vacuum. By viewing the budget from an organizational perspective and as a tool for managing the meeting, a meeting manager can:

- Manage their budgets while protecting the things that are most important to the meeting or event
- Defend resources needed
- Guide their decisions using criteria
- Make strategic budget decisions

## Strategic Budgeting Process

Strategic budgeting is top-down process, starting with the outcomes the organization wants to achieve and allocating resources in proportion to priorities. The steps in strategic budgeting are:

1. Develop clear goals and objectives for the meeting
2. Prioritize those goals and objectives
3. Determine alignment with overall strategic plan
4. Spell out tactics/elements to implement the goals and objectives
5. Budget tactics/elements
6. Review, monitoring and analyze

## People and Budgets

How difficult can budgeting be, strategic or otherwise? The process, as written out, is fairly straightforward. Insert people into any process and it always becomes more complicated. Being strategic requires managing the people in the process too. There are four key areas to delicately query and assess in strategic budgeting:

**Identify the final decision maker.** At the beginning of the discussions about a meeting, be clear who will make the final budget decision. Is it the meeting manager? The meeting leader? Or is there some one else who controls the purse strings?

**Connect the purse strings to the strategic plan.** Is the person controlling the budget also fully aware of the meeting objectives? What tends to happen in organizations is that the budget usually exerts more influence on what gets done than a strategic plan. If an organization is truly committed to its strategic plan then link the strategic plan and the budget. Oftentimes, organizations give in to budgetary constraints and sacrifice their strategic goals. That may be the right decision at the time. Just ensure that it is a conscious decision.

**Identify the budget drivers.** What criteria will be used to determine the budget? Is the organization focused on quality? Is the meeting important to the organization's mission and strategic plan? Will this event fall under the "use or lose it" budgeting mantra? Will a future event be relegated to "what is left over" in the budget at the end of the fiscal year?

**Determine the likely amount of change.** Will the scope of the meeting or event change? Will the requirements change? Will the budget change? Could the budget be subjected to a series of on-going negotiations and cuts? This iterative process is damaging as each negotiation impacts future discussions. Some potential side effects of this process are:

- Focusing on the budget and not on the strategy
- Placing different elements of the meeting in competition for resources
- Deciding arbitrarily because strategy is not leading the decision making
- Playing games

### Details of Strategic Budgeting

The step-by-step process to strategic budgeting is the following:

#### Step 1: Develop clear goals and objectives

The foundation of a budget is not a number. The foundation is the meeting objective(s). The more meeting planners can tie every element into the meeting objective the more likely he or she can justify the meeting and its respective costs. Engaging participants, piquing their interest, interacting with them are all ways to better meet the purpose of the meeting. This entails the elements that satisfy the basic needs of the participants and for the meeting including a place (meeting space, sleeping rooms), food and ways to deliver the message (AV, handouts, agenda). However, truly engaging participants, creating a sense of curiosity and expectation and creating interaction, also spills over to elements including:

- Pre-event mailings
- Registration materials
- Branded promotional products
- Music
- Color
- Linens and Table Decor
- Entertainment

Meeting managers and stakeholders should recognize the value present in these elements, too.

A meeting has an objective. Then the meeting has a budget. Can the objective be met with that budget? If not then something must change, either the objective(s) need to be scaled back or the budget must be increased. When talking with a stakeholder about a meeting objective, start with the basic questions:

- What is the purpose of the meeting?
- What is the objective of gathering the participants together?

Then probe deeper to understand how the objective translate into outcomes. Understanding the objective won't necessarily provide sufficient information to "sell" the meeting elements and the corresponding budget. Understand what the desired results or outcomes are for the meeting. Some questions that may be appropriate include the following:

- What do you want people to do differently as a result of this meeting?
- What new attitudes do you want people to have?

- What new skills do you want people to possess?
- What emotional connection must participants have to the meetings' message?
- What is the call to action?
- What are the obstacles for participants to actually develop these new skills, attitudes or take a different action? In other words, what must this meeting overcome in order to be successful?

Another area of questioning is:

- Why is a meeting the best solution? Are there other methods of achieving your outcome that are superior? Why is a meeting the optimal method of achieving these objectives?
- Does a meeting offer unique ways of overcoming the particular obstacles?

These discussions position meeting managers as strategic partners. In this scenario, a meeting manager is not simply executing but rather working with the stakeholder to ensure that the outcome is achieved in the best manner.

Understanding the obstacles allows a meeting manager to strategically plan around those barriers to success. As the meeting is planned, a meeting manager can build in elements that will overcome those barriers. And later, if there is resistance, the meeting manager is better prepared to defend the decisions and budget.

### Step 2: Prioritize goals and objectives

What functions, programs, or elements are most important to the meeting? What objectives are "must have" versus "nice to have?" List objectives in priority order. Or assign them into categories (Critical, High, Medium and Low).

### Step 3: Determine alignment with overall strategic plan

Meetings are a necessary component of business life. And their importance to achieving the overall strategic business objectives is often overlooked. What are the elements that make up an organization's strategic plan?

- **Vision** — an inspiring long term picture of the future desired state
- **Values** — the essential and enduring principles that guide work and relationships
- **Mission** — the markets, their needs and products/services
- **Business Objectives** — organizational targets that satisfy constituents (customer, shareholders, employees, management, investors, the community, etc.)
- **Environmental Audit** — key opportunities, threats, competitors, environmental forces, etc. that impact the future
- **Business Strategies** — how to achieve the Vision, Values, Mission and Objectives

Meeting managers can ask these questions to assess alignment with the organization's strategic plan:

- To what extent is the meeting or event a priority in the organization's overall strategic plan?
- How critical is the meeting or event to our overall mission or purpose?

- How closely aligned are each of the meeting objectives with the overall business objectives?
- How will the meeting support the business strategies? Assess whether the meeting supports the Strategic Plan either Peripherally, Somewhat, Modestly, or Strongly.

#### **Step 4: Spell out tactics/elements to implement the goals and objectives**

Each element or different supplier for a meeting is like a different department. A meeting planner effectively manages the Floral, Décor, AV, and Speaker Departments. Create departmental objectives that are tied to the objective of the meeting. Design the meeting elements to help meet the objective. Will the sum total of these objectives meet the goal? Do these individual elements drive and help create the objective or are they simply justified under the goals and objectives of the meeting? Apply these questions to the budget for rigorously testing of each line item of the budget.

#### **Step 5: Budget tactics/elements**

Now it is time to assign a budget to each element of the meeting. But budgeting is not only arriving at the total budget (or working to get each element to add up to the assigned budget).

Now is the time to assess the impact of budget dollars against the meeting objectives. Assess the following four areas:

- **Viability** — Does the budget meet basic requirements including legal and safety requirements? Can we realistically execute the meeting or event with this budget?
- **Optimal Balance** — Does the budget represent the best way to carry out activities and achieve the mission? Do we have the best balance of individual objectives and dollars? For the meeting objectives? For the Strategic Plan?
- **Be Customer Centric** — What do the “customers” consider important? Consider what the meeting participants find important. Determine where to strategically place funds from the budget – taking into account the various stakeholders’ needs, desires and requirements. Scale down the budget in areas where stakeholders do not place much importance.
- **Impact** — Consider where spent money will be most visible and allocate the budget there. Balance impact with “dollars” so money is spent on things that will show.

#### **Step 6: Review, monitor and analyze**

Strategic budgeting offers information to create excellence in meetings through reallocation, substitution, and choices. With a Strategic Budget, a meeting manager should be able to read the mission between the lines of the budget document. Everyone should be able to see the vision for the organization unfolding. Everyone should be able to experience the organization's values within the meeting. A strong budget will enable a meeting manager to have their pulse on the expenses and revenues associated with the meeting at any point in the process. Finally, a meeting manager should be able to look back and measure progress.

### **How to Cut**

If it becomes necessary to cut, do so with discretion. Discuss how essentials could be done more efficiently or with fewer resources. How could technology create efficiencies? Is there leverage or synergy for specific items? For example, some organizations look to book a speaker back-to-back so their travel expenses are split among two organizations. Can processes be streamlined resulting in savings? What opportunities are there for partnering or consolidation? Where can substitutions

or customization result in savings? A common strategy is to work with the catering department to cut costs. Often through substitutions or use of local, in-season ingredients, food and beverage fees can be reduced without sacrificing impact or quality. Ask the hotel if they have any décor or props on site. Or use student or volunteer labor to help orchestrate on site logistics. List functions, programs, services or elements that could possibly be reduced or eliminated. What will be the impact and on whom?

When meeting managers ask these questions they can intelligently reduce expenses.

### Tips for Strategic Budgeting

Meeting managers can further enhance their strategic budgeting skills by embracing these tips:

- **Create an overall goal for the meeting or event.** Secure consensus on the goal from all parties – stakeholders and suppliers.
- **Don't use the lawnmower approach on a budget.** Don't eliminate a set percentage from an entire budget. Instead discriminate based upon the strategic importance of a line item and how important it is to the meeting participants.
- **Remember budgets are tied to other things.** Stakeholder's budget for a meeting or event may be tied to many different things: prestige, ego, bonuses. In many organizations, the modus operandi is "use it or lose it". Budgets and negotiations are emotional decisions.
- **Don't scrimp on the initial budget in an effort to look like a hero.** No one will remember the initial sacrifice if later budget overages occur. It is better to start with a realistic budget and come in at or under budget.
- **Build a strong supplier team.** Outside suppliers (and even some internal resources) involved in the meeting have profit motives. Strategic budgeting requires choosing a supplier team wisely. Select people who can serve as partner. Select people who will add value to the process beyond the service they provide. Team members must balance "my" goals, "your" goals, and the "meeting" goals. Select partners who see the link between the meeting goals and their goals. Select people who are interested in the meeting's success.
- **Build a buffer line item.** This is a novel approach to budgeting. Create a realistic budget per line item. Don't build in slack. Consider even budgeting slightly below needs. Then create a budget buffer line item which all elements of the meeting or event can draw upon if needed. In some strategic budgeting scenarios, managers are encouraged to allocate half of their original dollar amount to the budget and to spend more only if the expenditure is valid and can stand up to the scrutiny of others who are competing for the same dollars in the buffer. The buffer creates scrutiny and wiser allocation when adding to the budget. A buffer allows reallocation of resources without exceeding the overall budget.
- **Create collections of resources.** Can elements be reused or borrowed for the meeting. Consider ways to utilize "resources" more than once. If a meeting manager doesn't have the item in stock perhaps a client or a supplier may have the perfect solution.
- **Save money by instituting performance-based incentives for suppliers.** Only pay for service and products that meets pre-established criteria. A component of a Strategic Meeting Management Policy (SMMP) is setting service-level agreements or key performance indicators. More information on these topics are covered in *Professional Meeting Management*®, fifth edition, Chapter 6 and also in PMM5 Postscript™ Number 7.

- **Use past experience and budget to assess reality.** Analyze whether prior plans and budgets approximated actual results.
- **Create a control system** to monitor the event's progress and make corrections when necessary. Also include review of the entire budget after an event as part of the overall evaluation.

These tips all reinforce the idea that strategic budgeting involves people, outside resources and an eye toward the entire organization.

### Summary

The bottom line is a revered number in today's organizations. Utilize the budgeting process to link the meeting to organizational goals or objectives. A strategic budget also considers the "human" element when budgeting — the meeting participants and what they consider important as well as the meeting stakeholders. Strategic budgeting does not assume standard pricing for typical meeting elements. Instead, the process examines each element for its importance and relevance to the meeting objectives and assess whether the element will even be missed. When all meeting elements are rigorously tested for relevance to the meeting goals, a meeting manager knows that they have created a strategic budget.

Savvy meeting managers will seek ways to maximize their budgets through volume discounts, reusing décor, recycling, or cutting in less-apparent areas. Partnerships are another way to save money. When confronted with reducing expenses, a meeting manager views the task more as an asset reallocation than cutting. The discipline of strategic budgeting ensures that a meeting manager's role is valued and cannot be replaced by a spreadsheet.

### Group Discussion or Projects

1. Discuss the trade-off between time and money. If you have a smaller budget, how will that impact the amount of time required for a meeting manager to plan a meeting?
2. List budget items or categories that may easily be forgotten on a budget. (To get started, think about photocopies on-site, tips or special permits.)
3. Identify the ways in which a budget is a fluid living document, not a static checklist. How should you use a budget as a living document?
4. What meeting supplies are easily re-used, resulting in lower cost and less waste?
5. Consolidating spending power can result in discounts. What areas offer cost savings through consolidation?
6. How can meeting managers convey budgetary information to suppliers without eliminating their negotiating power?

## References

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