



Who Should Attend Your Next Budget Meeting?

[A budget is one of the most important documents](#) your company will produce this year: no other document has as much potential to keep the organization on track and translate your vision into reality. The most important contribution your executive team will make to the company is planning for its future. The budget is a critical step in that planning process. Too often employees preparing the budget are isolated. What we need is all key areas working in concert with one another.

So how do you [help the budgeting process reach its full potential](#)? Since it's an exercise dependent on the team we need to know how big the team should be. **Too many participants will weigh meetings down and hurt efficiency, but too few means voices will be left out.** What types of expertise need to be represented? When selecting the team it is important that all key areas are represented by employees who have deep understanding of their area and a good sense of how their area fits into with the whole organization. The planning and budgeting process is a wonderful career development tool for high potential employees.

Who needs to be at the budget meeting?

The seats at the budget table must include representation from key areas of the business. Traditionally these would include:

- Finance and accounting
- Sales and marketing
- Purchasing and procurement
- Human resources
- Research and development
- Operations

It is important to keep in mind the same individual on the team might represent more than one of these departments but the perspectives of all departments must be included in the planning and budget process.

How does each of these groups contribute?

Finance and accounting. When it comes to the budget process, your finance person, typically your CFO, is the quarterback. They must convert the activities of each department into financial results that measure performance and guide decision making. If your company has lenders or multiple investors the role of finance in the budgeting process becomes even more critical as a means to maintain credibility and solid footing with your funding sources.

It is worth noting that at larger companies, firms having over 200 employees, finance is frequently broken down into three areas:

1. The **controller** who is in charge of record-keeping and making sure the budget stays on

track.

2. The **finance** expert who performs the analysis on new projects and helps determine whether they are worthy investments.
3. The **treasurer** who maintains the funding relationships and needs to budget for long term capital planning

These perspectives may not be represented by three separate people, but are functions that must be considered in the budgeting process.

Sales and marketing. The perspective of [your sales team](#) is unique because they are the department closest to the customer. They have the insight about what new products you should pursue, what old products you should think about phasing out and how the market is moving. Specifically, when projecting revenue, your sales and marketing team is particularly important in determining customer demand for your products and services.

Purchasing and procurement. These are the people who see the dynamics of the market from the purchasing side. They not only understand the perspective of the vendors who supply the raw materials you need to bring your products to market - they are also your canary in the coal mine with regards to future events. Are there potential shortages in raw materials on the horizon? Are certain materials getting so expensive that continuing to use them might negatively affect profits? Are there substitute raw materials we can use to build our products if shortages or adverse price swings occur? Frequently purchasing is the first area to recognize when the margin structure of our products are changing

Human Resources. It's a cliché, but it's true: Your people are your most important asset. Meeting their needs is an important consideration when putting together your annual budget. In a world where knowledge workers rule and unskilled labor is being replaced by automation, the Human Resource department is critical to planning for your company's workforce needs and effectively executing those plans.

Research and Development. This is the engine that keeps your company generating fresh ideas for the future. Companies with large research and development budgets must have good benchmarks and measures to manage the potential of its R&D activities. With reins too tight [innovation](#) will be strangled, too loose and R&D expenditures are wasted.

Operations. In manufacturing businesses operations drive many of the capital and labor needs of the company. Without a good understanding of these requirements businesses will become obsolete, overcapitalized or uncompetitive. This makes individuals with a technical understanding of the operations and the capability to communicate the human and capital needs of a successful operation is critical for effective budgeting at a manufacturer.

It's also worth noting the role the CEO plays. The CEO sets the tone and overall strategy for the business, but typically should remain outside the budget preparation phase. This prevents the CEO from developing a particular bias and allows them to be independent when the draft budget is ready for review.



Teamwork, key area representation and business knowledge are the foundation of a solid planning and budgeting process.