Departmental Budget Management Tips For New Managers

No matter what industry, the primary responsibility of a budget manager is the same: Maximize profit and minimize expenses without damaging the quality or reputation of the business. The biggest challenge lies in cutting costs without cutting corners.

New managers taking on the role are often expected to perform with little preparation and even less training. Here are 8 ways to get up to speed right out of the gate and ensure your department's budget is kept in line with the overall operating budget.

1. Learn the System

One of the most common mistakes made by new managers is

assuming they know everything about and don't need help. In reality, every business is different, and you may be stepping into a system cobbled together from various softwares or worse, never updated from simple spreadsheets. Ask questions and take the time to learn the system and the business. Your predecessor as department head will have the most comprehensive information if they are available. If not, try the CFO.
Even if your job is to revamp and modernize an outdated budgeting process, understanding the current system is crucial and the best starting point.

2. Invest in Business Budgeting Software

By now, most established companies will have launched budget software and have a system in place to manage invoices, receipts, and income. This may not be true of startups or a small business transitioning in a rapid growth cycle. If it is within your power to implement or suggest, the most valuable thing you can do to manage your departmental budget is to invest in budget software.
An automated system minimizes data error, spots anomalies, and offers easy-to-understand analytics and custom reports. Maximizing your annual budget can involve massive amounts of data, too much for humans to process and organize.

3. Buy in to the Company Philosophy

As the budget manager, your responsibilities will include compliance with the policies the brand is committed to. This may include ethical sourcing, charity donations, or other costly expenses that require workaround. Make sure you know what your company brand stands for and go all in, even if it means budget compromise. Find a way to cut costs without sacrificing company ethics.

4. ## Be a Team Player

   In today's business environment, transparency and collaboration are key components. Make budgeting a team effort. Lead while welcoming ideas and suggestions from your team. Getting team members involved gives them a higher sense of ownership and engagement. When everyone on the team understands why decisions are made, they are more inclined to feel they are working toward the same goal. Engaged employees are far more productive.

The primary responsibility of a budget manager is the same: Maximize profit and minimize expenses without damaging the quality or reputation of the business.

5. ## Think Like a Boss

   Understand the big picture from the business owner at the top of the pyramid. How does your departmental budget fit into the overall picture with regard to sales, costs, productivity, and administrative goals?
   You may be expected to work with other departments. Be proactive about meeting with peers and inquiring about interdependencies between department budgets and revenue. Plan your budget strategy to align with financial management goals and address how your department works with the bigger picture.

Most large organizations hold a pre-budget-cycle manager meeting to set the overall budget increase allowance for the upcoming budget year. They are likely to give you a figure that allows a small increase over last year's budget. That gives you a baseline figure to shoot for.

6. Analyze Last Year's Budget

The budget for next year will nearly always be influenced the budget for the previous fiscal year. The predictions, outcomes, and revenue of the previous year can provide a lot of information about what worked and what didn't. Run a variance report to determine how well the budget matched actual income and expenses, and break down the variance month-by-month to find areas where budget predictions can be improved.
Since you know your budget target, identify weak areas in last year's budget where variable costs can be cut, reduced, or streamlined.

7. Be Ambitious, But Realistic

Set realistic budget goals that make a difference. Make a list of areas where you can expect to improve. With your goals in mind, figure out how to achieve them. Your list might look like this:

- Reduce warehousing costs by x% by eliminating dead stock
- Run end-of-season sales promotions
- Lower reorder threshold for slow-moving items
- Reorganize warehouse floor for more efficient processing
- Evaluate suppliers and negotiate more advantageous

deals
- Check other departments for similar supplies; use higher volume to leverage discounts and lower costs
- Compare local and overseas supplies
- Increase employee engagement to lower churn and reduce sick days

If you find significant savings in your business finances, adding the extra money to your marketing budget is a great way to make it count.

8. Build in Flexibility

Because unforeseen things happen to derail your budget, you should build some discretionary spending into your budget. If you're required to freeze or reduce the budget, you won't have to scramble to make budget cuts or sacrifice important items. One way to do this is to order items only as you need them, as opposed to making large orders at once, and try to avoid binding contracts. Categorize items associated with projects that can be canceled if necessary with discretionary budgeting. If cash flow gets tight, you can defer costs or cancel the project outright.

New budget managers constantly learn new tricks, and the longer you work, the more you'll learn. When you first get started, these tips will help you make an impression from your first day. Ask the right questions, do careful homework, and build team rapport to help support your efforts.

What’s your goal today?

1. Use Planergy to manage purchasing and accounts payable

We’ve helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our “Solutions” page to see the areas of your business we can help improve to see if we’re a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide “Preparing Your AP Department For The Future”

Download a free copy of our guide to future proofing your accounts payable department. You’ll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

download a free copy of our guide

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

Related Posts