

Fix the Link Between Your Strategic Plan and Your Budget

by Jerry Matthews

An effective strategic plan drives all association decisions—from services to structure to budgets. It is the beginning point; the core. Unfortunately, too often the plan has no connection to the actual services an association provides or how they're funded. Why? Because many associations create and implement programs, products, and services singularly through their budget, leaving their strategic plan on a shelf as an aspirational document they would consider if only they weren't so busy with the day-to-day management of existing programs, products, and services.

Broken link

The strategic plan and the budget should be linked, but rarely are. In a role reversal, budgets are creating objectives, rather than objectives creating budgets. For example, noting that certain education programs create revenue, a finance committee increases the number offered, even though expanding education was not part of the strategic plan. Many finance committees are actually making de facto strategic decisions with funding approvals—or refusals—rather than serving as asset guardians. They act without direction from the strategic plan.

So how did the gulf between the strategic plan and the budget happen? Sometimes

the disconnection is a defensive move, one designed to protect the budget from the agendas of annually elected leaders. Because some associations review the strategic plan every year with new elected leadership, it can change dramatically, reflecting the new leadership's priorities. One year's president may want to focus the association heavily on political action, while the next year's president may want to focus on education. The AE is put in an unenviable position and responds by distancing the future-looking strategic plan from the day-to-day budget. Eventually, however, these two documents become divorced and completely ineffective.

So how do you align the strategic plan to the budget without surrendering too much power to your elected leaders when it comes to allocating where every dollar is spent? First you must strengthen and streamline both documents.

Convert the formats

The first step in aligning your strategic plan and your budget is easier than you may think. Start by putting both documents in the same format: a program format.

Association budgets are typically either line-item reports that list things such as electricity, postage, printing, dues, rent, and salaries; or activity reports that list, for example, meetings, communications, governance, advocacy, overhead, and so on. Neither of these two forms clearly identify all the programs and services of the association—such as GRI, monthly magazine, Capitol Rally, a liability course, or homeownership ad campaign—so it is impossible to link to the strategic plan, which focuses on programs and services.

A strategic plan doesn't call for saving on electricity or reducing the number of meetings; it speaks in terms of programs and services, such as launching a social media outreach initiative or building a Web-based resource for

Program-based Strategic Plan

Objective A:

To become the “go to” organization for the public and media when it comes to real estate issues.



Objective B:

Provide members with cutting-edge education and training to increase profitability, productivity, and professionalism.



and
so
on

Program-based Budget

Program A: Launch a comprehensive blog for the public and the media.

Expense	Annual Program A Budget
Exempt labor:	\$5,000
Nonexempt labor:	\$12,000
Printing/copies:	\$100
Art services:	\$600
Postage:	\$0
Phone:	\$200
Revenue	
Advertising:	\$6,000

Program B: Continuing education and technology classes

Expense	Annual Program B Budget
Exempt labor:	\$10,000
Nonexempt labor:	\$12,000
Printing/copies:	\$15,100
Art services:	\$2,000
Postage:	\$0
Phone:	\$200
Revenue	
Course fees:	\$20,000

members who are running for political office. So, if your strategic plan and your budget do not speak the same “language,” the result is a mutual loss of focus that makes coordination virtually impossible. Thus, strategic plans sit on the shelf and budgets become enabling documents crafted in a vacuum.

The program-based strategic plan

Strategic plans must be written to project the organization’s future end state—why it exists. For example, one strategic plan objective could be: “To become the ‘go to’ organization for the public and media when it comes to real estate issues.” The objectives must be in the future tense and explain the desired result of a specific area of concern. The strategic actions that follow from the strategic objective are defined as program, product, or service concepts—not details—that advance an objective. For example, under the objective above, one of the strategic actions could be to launch a social media outreach program.

The program-based budget

When converting your line-item or activity budgets into program-based budgets, divide every program, product, and service into a stand-alone budgeted item with all its program-specific line items contained therein (including staff time, portion of overhead, etc.). This means an item like postage or salaries will be repeated many times by being distributed among several programs, rather than appearing once as a single item. For example, budgeted programs, such as your social media outreach, contain the number of hours certain staff work on this program, a portion of the costs of your bandwidth, a portion of the cost of your overhead, and so on. The end result is that the costs associated with running, expanding, or eliminating a program are readily available and clear.

The linked matrix

With a common language of programs, measuring the implementation success of the strategic plan is easy. Create a spreadsheet matrix with the strategic plan ac-

tions and indicate budget plan delivery via programs. Presence, or absence, of funding visually shows penetration of the plan into the association’s daily activities. An additional column of target deadlines, or degree of completion, also visually shows progress, or lack thereof.

With programs as the common language, the budget and the strategic plan can now be linked. Current status can be easily reported both strategically and financially. But most important, the strategic plan now drives the finances and all other organizational decisions. ●



Jerry Matthews assists organizations and individuals in creating successful futures. Leveraging 27 years as a REALTOR® state association CEO, Jerry advises on

strategic direction, organizational effectiveness, and executive recruiting, is a consultant, author, and speaker. More information on Jerry is at JerryMatthews.com. You can contact him at Jerry@JerryMatthews.com or 407-963-7720.