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bob@rchcae.com

Link the Strategic Plan to the Budget

Bob Harris, CAE

It is said if you can read a budget you know an organization's priorities. A strategic plan should be closely tied to the board approved budget.

A budget is a forecast of income and expenses. A strategic plan is a multi-year roadmap for leadership to deliver value.

There are several ways to link the strategic plan and the budget.

First, goals require allocation of financial resources. Before agreeing to new ideas, leaders must consider economic consequences.

Second, some goals generate new revenue. For example, increasing membership will impact income.

Third, the strategic plan communicates value to members. Thus, members will judge the leadership on how they funded the programs and priorities. This supports the adage, "put your money where your mouth is."

Income

When leaders recognize the link between planning and budget, they seek out opportunities that create revenue. Planning should not be like throwing spaghetti on the wall to see what sticks.

To demonstrate the connection, create a table of the strategic goals. In the boxes below each goal, align the revenue from the budget.

For example, under the goal of "Professional Development," list the budgeted income items from the annual conference, educational seminars, and certification. The template aligns priorities and income, or lack of income.

Expenses

Members ask about return on investment and "what does the organization do for me?" The answer is revealed and explained in the strategic plan and budget.

After the planning retreat, the treasurer, finance committee or CEO will make budget adjustments. For example, if the strategic plan sets "Advocacy" as a goal, but nothing is budgeted for lobbying, issues management, and influence, it's not likely to be successful.

Some organizations reconfigure their budgets to reflect the strategic goals. Most plans have 4 to 6 goals. For instance:

- ☐ Membership Services
- ☐ Advocacy and Government Relations
- ☐ Marketing Outreach
- ☐ Education and Events

To carry out the programs requires administrative costs such as insurance, rent and staffing. In a strategic plan this is often stated as “Organizational Excellence.”

When members ask about value, share the strategic plan and the pie chart depicting how the leaders have aligned resources.



The quote of James Frick, former VP of alumni affairs at Notre Dame says it best, “Don’t tell me where your priorities are. Show me where you spend your money and I’ll tell you what they are.”

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Note: Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.