centercard

The State of

Corporate Budget 2018

Preface

If you're like most of those who took our survey, you probably think your company's budget process is perfectly fine. We were surprised that more than three-quarters of the business leaders we asked gave their process a grade of A or B, even though they use outdated tools, rarely make updates, and regularly go over budget.

We attribute this to a certain amount of complacency toward the process. For most, budgeting is one of those "must-do" tasks, and it's easy to move on to other priorities once you're done. But "set-it-and-forget-it" quickly spirals into old data, bad habits, and wasted resources.

We believe budgets should be the tool that puts strategic plans to work. Budgets detail the people, money, and equipment needed to execute the strategy. But businesses change rapidly: You land a huge deal after months of work. Or a partnership takes longer than expected. When shifts like these happen, your strategy—and your budget—need to change, too.

The first steps in transforming your budget into a powerful strategic tool are to take a hard look at what's working and what's not, and to revisit the status quo. We believe this research provides helpful insights into how budgeting can be better, for companies of all sizes.

Naveen Singh
CEO

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Introduction

Managing a budget to peak efficiency is one of the most difficult tasks every business must undertake. And mistakes can be costly, affecting every function from sales and marketing to product development.

Given how important effective budgeting is to a business's bottom line, we were surpised by the lack of information on the topic. We reached out to business owners and CEOs for a deeper understanding of how companies of all sizes manage this critical business function.

METHODOLOGY

To prepare *The State of Corporate Budget 2018*, we surveyed nearly 250 business owners about the tools and methods they used to set and track their budgets, how frequently their teams hit budget targets, and the reasons they succeeded or struggled. Our findings represent a range of business sizes.

Respondents by company size:

Under 100 employees	100-500 employees	Over 500 employees
29%	**53%**	**18%**

This whitepaper highlights key points and applicable insights for companies of all sizes who want to manage their budgets more strategically.

1. Companies Still Go Over Budget

THE SIZE SWEET SPOT

Companies with 100-500 employees reported the most success with managing their budget consistently. Larger companies (500 employees or more) were most likely to say that they **always** go over budget—though interestingly, they were also most likely to say they **never** go over budget. This is likely the result of some companies favoring process, and other favoring flexibility, as they grow.

THE SPREADSHEET FACTOR

Of those who go over budget **at least sometimes**, more than half (51%) work on an annual budget cycle. 45% of these companies are using Excel to track their budgets—and of those who **always** go over budget, a full 67% use Excel.

These data points suggest opportunities for smarter solutions in the form of tools and processes.

How often is your team over budget?

TO THE POINT

Across the board, nearly two-thirds of companies go over budget at least sometimes.

SUCCESS FACTORS

Of the companies who never go over their budget, about three-quarters (73%) report that they have ongoing communication and budget updates across departments, and 65% say they have good tools and processes in place to make budget and expenses simple. Around 40% say employees feel empowered to make strategic spend decisions, and only 29% rely on the finance department to step in to keep the team on track.

CENTER TEAM TAKE

"Everyone is comfortable using Excel, but it is flawed as a budgeting tool. It's estimated that over 80% of spreadsheets have errors, and there are serious problems with version control and managing access to the latest model. For this reason, Excel spreadsheets quickly become static and dated.

We believe budgets need to be 'live.' The data above shows that when budgets are 'live,' they are more successful, and the results are better. Ongoing communication and iteration with budget owners and spenders help teams stay aligned with overall strategy and empowers everyone involved."

Jeff Drummond, VP of Finance and Accounting

What techniques work at companies that never go over budget?

73%
Ongoing communiations and updates across departments

65%
Good tools and processes in place for budget and expenses

39%
Employees feel empowered to make strategic spend decisions

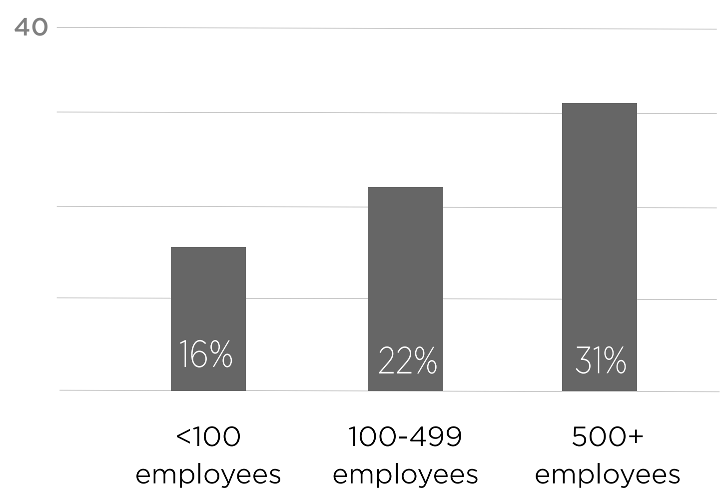
29%
Rely on finance department to keep everybody on track

2. When It Comes to Budgets, The Bar is Low

THE LARGER THE COMPANY, THE WORSE THE GRADE

We found that larger companies tended to be more critical of their ability to manage budgets effectively, with 31% of large companies giving themselves a C or below, compared to 16% of companies with fewer than 100 employees.

Percentage of companies rating themselves a C or below:



When it comes to effectively managing and tracking budget, what letter grade would you give your company's approach?

TO THE POINT

77% of the companies we surveyed gave themselves an A or B for overall budget effectiveness, even though many of them go over budget at least sometimes.

CENTER TEAM TAKE

"We were surprised by how many companies gave themselves positive grades. Our guess is that most people think of the budgeting process as being like dental exams—they dread having to do it but know it must be done. And given the low expectations, they may set the bar low.

The grades may also reflect some complacency with the process. Many of those who graded their companies an A or B also said that they went over budget at least sometimes."

Heather Singh, CMO

"Note that those who believe their process is broken imply that the reason is lack of time (38% too busy with other things and 34% too time intensive). This is likely due to the time it takes to go through the process in a finance-centric fashion.

The ideal process allows all budget constituents to make strategic budget changes in real time, without waiting for the finance department to control the exercise, which often results in multiple days of lag time for every iteration."

Jeff Drummond, VP of Finance and Accounting

THE TIME CRUNCH

As to why companies felt they were doing an average job or worse, many of their reasons were time related.

- Too busy with other mission critical items: 38%
- Process too labor-and time-intensive: 34%
- Lack of visibility: 34%
- Budget continues to spiral out of control with no plan to fix: 15%
- No formal budgeting process in place: 11%
- Other: 17%

Top three reasons companies graded themselves a C or below:

Too busy with other mission critical items	Lack of visibility: No 360 degree view into company spend	Manual, time-intensive management & tracking
38%	34%	34%

It's clear that budgeting is widely perceived as a manual, time-intensive process, yet evolving it is not a high priority.

3. Manual Processes Are Still the Norm

AN EXCESS OF EXCEL

Spreadsheets remain the most popular way of managing the budget for companies of all sizes, though Excel is particularly prevalent at smaller companies.

Regardless of the mix, when asked about simplifying budgeting and expense reports, only about a third of the respondents (37%) felt they had good tools and processes in place. And reliance on time-intensive, manual processes such as spreadsheets and paper receipts was one of the top reasons that companies graded their own budget process poorly.

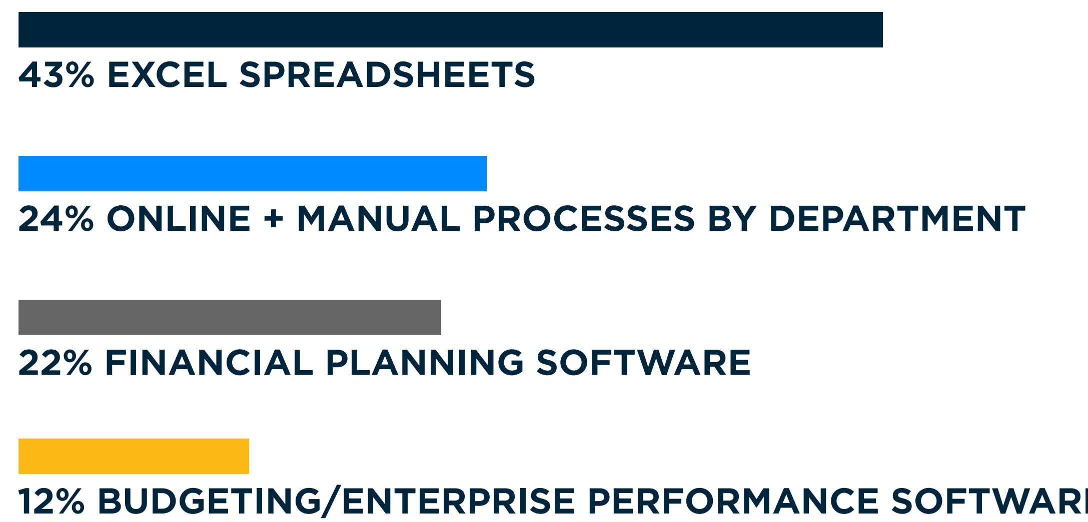
BUDGETING SOFTWARE NO SILVER BULLET

Only 12% of the companies we surveyed use dedicated budgeting software—and those who do still struggle with common budgeting issues.

- More than half still go over budget at least sometimes.
- 75% still feel there is a lack of visibility into company spend.

Among the companies who use budgeting software, ongoing communication and updates across departments (90%) still beats out good tools and processes (77%) as the top driver of an effective budget process.

What tools does your company use for budgeting?



TO THE POINT

In an era of increasing automation, most companies still rely on outdated methods to manage their budgets.

FINANCIAL PLANNING SOFTWARE LIGHTENS THE LOAD SOMEWHAT

About 20% of the companies we surveyed use financial planning software like SAP or Quicken. The use of these tools significantly improves the perception that tracking and managing the budget is too manual and time-intensive—only 11% noted this as an issue, compared to 26% overall.

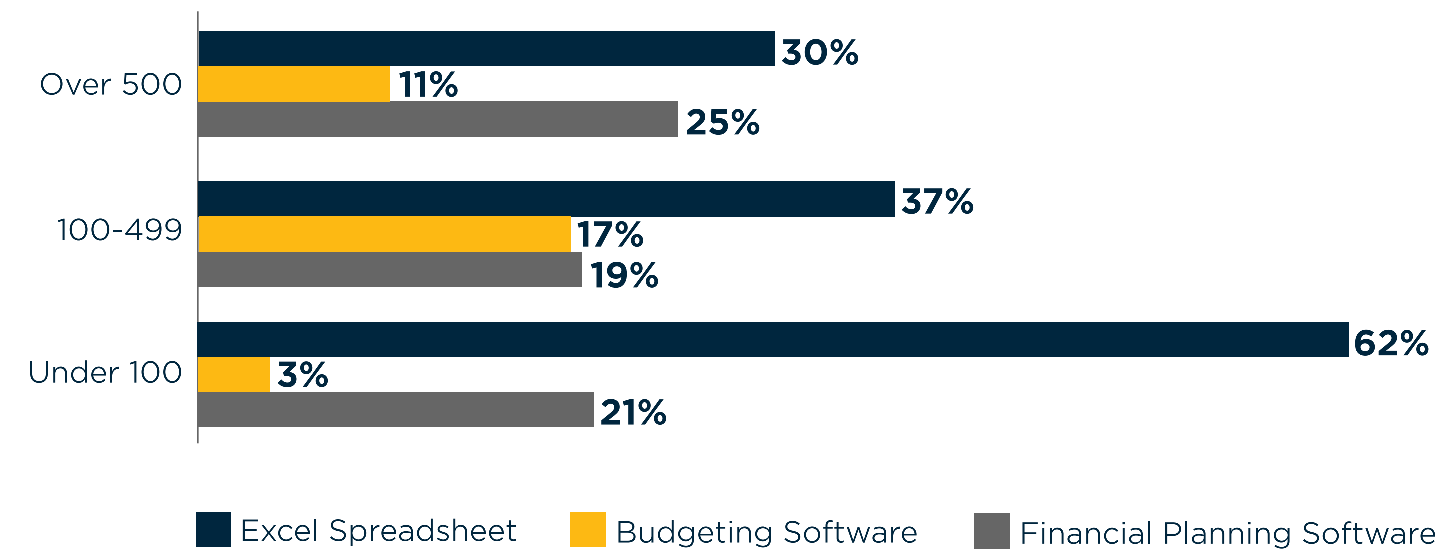
However, companies using financial enterprise software were somewhat more likely to budget on an annual cycle (59% vs 55% overall), and more likely to go over budget at least sometimes (71% vs. 64% overall). And ongoing communication and updates across departments (72%) far outpaces good tools and processes (42%) as a top driver of budget effectiveness.

CENTER TEAM TAKE

"While many companies rely on a combination of software tools to manage their budgets, the fact is that spreadsheets remain the primary tool for most. Creative finance departments have been able to push the technological boundaries of spreadsheets, but they are hitting their limits. The tools companies need today to manage critical operational functions like budgeting must include better communications, access to real-time data, and intelligent analytics."

Heather Singh, CMO

BUDGET TOOLS BY COMPANY SIZE:



Spreadsheets remain the most popular way of managing the budget for companies of all sizes, though Excel is particularly prevalent at smaller companies.

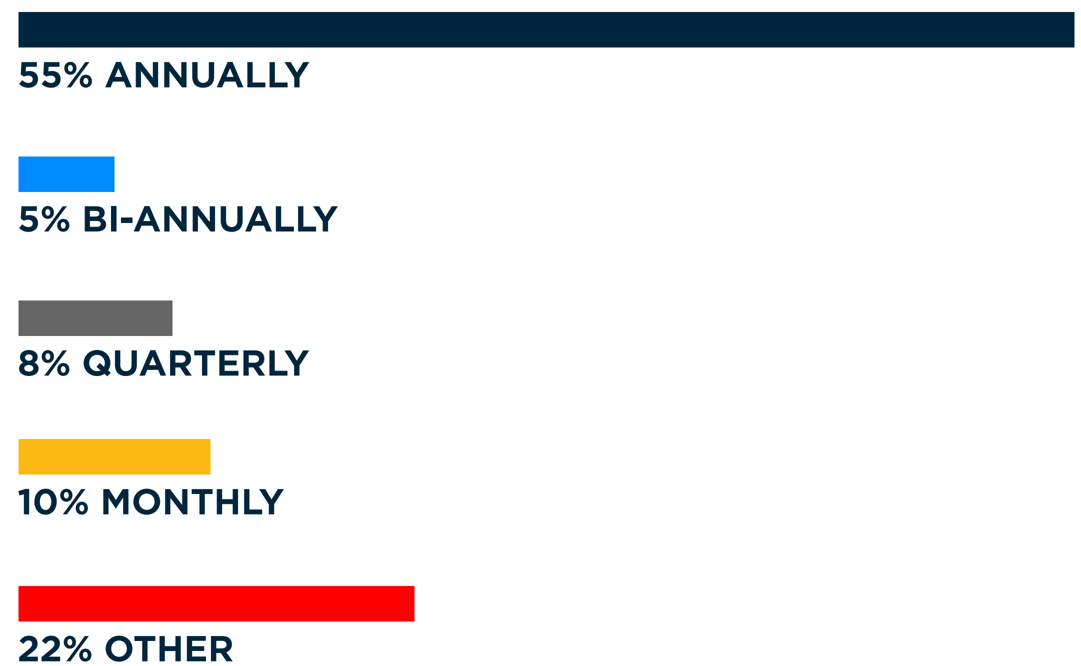
4. The Frequency Factor

MORE FREQUENT UPDATES DRIVE SUCCESS

Companies that set their budgets more frequently are more confident about their overall process.

In fact, 90% of the companies that budget monthly or quarterly gave themselves an A or a B rating, compared to 74% of those that budget annually or biannually, and 50% of those with no formal process in place.

How often does your company set and manage its budget?



TO THE POINT

Business needs change rapidly, but most budgets don't. More than half of companies only set budgets once a year.

REGULAR BUDGET ADJUSTMENTS NOT COMMON

Although companies that regularly revisit their budget feel more successful, most don't. Only 14% of the companies we surveyed evaluate their budget periodically throughout the year and adjust as necessary. Businesses with more than 500 employees were less likely to operate this way, indicating that the practice may be harder to sustain as companies grow.

- 87% of the companies that operate this way gave themselves an A or a B (compared to 79% overall)
- 78% ranked ongoing cross-department communication and updates as the top reason for their rating (compared to 70% overall)

CENTER TEAM TAKE

"Traditionally budgeting has been an annual process that requires months of preparations and weeks of negotiation, relying on the 'sophisticated' technique of taking a previous year's expenses and tacking on an extra 10% to account for growth. Because the business environment changes rapidly, a budget set three months before the start of the fiscal year no longer reflects reality. Budgets need to adapt, just as businesses adapt. New technology, real-time data, and better collaboration/communication tools make it easier and less time-intensive for teams to create rolling budgets that remain current and up to date."

Heather Singh, CMO

THE COST OF NO FORMAL PROCESS

On the other side of the spectrum, 7% of the companies we surveyed reported that they had no formal budget process in place. Most of these were companies with fewer than 100 employees, and this group was more than twice as likely to distribute budget ownership to individual department managers (63% vs. 24% overall). Half of these companies (50%) gave themselves a C, D, or F for overall budget effectiveness, and almost half (47%) had "no idea" how much of their budget goes to discretionary spend, compared to 25% overall.

Companies with no formal budget in place:

63%
Distribute ownership to individual departments

50%
Give themselves a C, D, or F

47%
Have "no idea" how much goes to discretionary spend

Budgets need to adapt, just as businesses adapt. New technology, real-time data, and better tools make it easier and less time intensive for teams.

5. In The Dark About Discretionary Spend

LACK OF VISIBILITY

A full 25% of the leaders we surveyed had “no idea” what portion of their budget is allocated towards travel & entertainment, office supplies, and other controllable expenses. And for this group, the lack of a 360-degree view into company spend tops the list of concerns about the budgeting process (35% vs. 26% overall)

DISTRIBUTED OWNERSHIP

This group was nearly twice as likely to distribute budget ownership to department heads (46% vs. 24% overall). Perhaps not surprisingly, 60% go over budget at least sometimes—and 25% give themselves a C, D, or F.

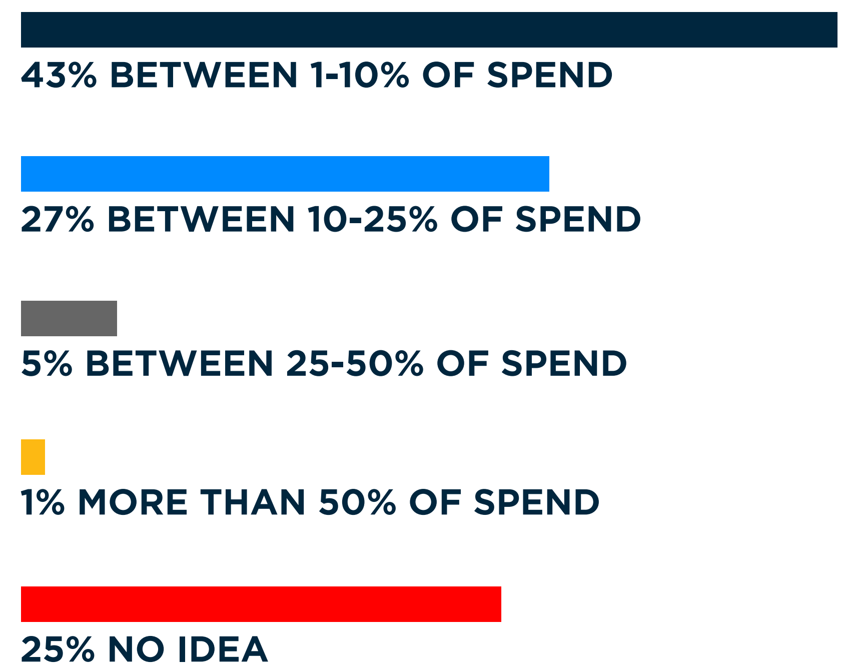
For companies who have no idea about discretonary spend:

46%
Distribute ownership to department heads

60%
Go over budget at least sometimes

25%
Give themselves a C, D, or F grade

What percentage of your funds are allocated toward discretionary spend?



TO THE POINT

Discretionary spend can have a significant impact on a company’s bottom line, but many leaders are in the dark about it.

CENTER TEAM TAKE

“Discretionary spend accounts for up to 25% of budget for most smaller companies. The type of spending that falls into discretionary (travel, meals, subscriptions, marketing campaigns, conferences, etc.) represents the areas where companies can have the most control in the short term, but the complexity in tracking and managing this spend means that it’s also the area with the least visibility. Companies have an opportunity to better manage discretionary spend to manage cash flow more effectively, reduce the amount of resources going to unproductive spend, and better target higher priority projects.”

Heather Singh, CMO

“The ‘not knowing’ may just be a failure to roll up departmental results to an organization-level total. But that is certainly still a failure.”

Jeff Drummond, VP of Finance and Accounting

WHAT IS DISCRETIONARY SPEND?

Discretionary spend falls outside of fixed costs like payroll and rent. It typically happens at the employee level, not at the company level. It includes things like travel, meals, entertainment, subscriptions, and office supplies.

TRAVEL

MEALS/ENTERTAINMENT

OFFICE SUPPLIES

SOFTWARE/SUBSCRIPTIONS

MARKETING/EVENTS

SHIPPING

6. Varying Attitudes Toward Responsibility

FINANCE CAN'T FIX EVERYTHING

40% of the companies surveyed reported that if they get off track, the finance team steps in to cut or stop spending. However, this group was actually more likely to go over budget at least sometimes (73% vs. 64% overall), indicating that relying heavily on one department can be problematic.

DISTRIBUTED OWNERSHIP = DIMINISHED VISIBILITY

Just over 20% of the companies we surveyed distribute budget ownership to department heads, who use a combination of manual and online processes to track progress. Not surprisingly, the owners of these companies were far less likely to know how much goes toward discretionary spend (45% had "no idea," compared to 25% overall). And for this group, lack of visibility tops the list as the most common budget complaint (38%).

CENTER TEAM TAKE

"Because performance management goals—and thus compensation—are tied to budgets, there seems to be gamesmanship among budget owners. This includes inflating spending and minimizing departmental revenue or deliverable goals to give them a cushion as the year progresses."

Jeff Drummond, VP of Finance and Accounting

How does your team stay on track?

TO THE POINT

Budgeting should be a team effort, but in practice often isn't.

7. Key Drivers of Budget Effectiveness

THE "A" LIST

For companies that gave themselves an A or a B for budget effectiveness, regular communication topped the list of what's working well.

When you compare the companies who gave themselves an A to those who gave themselves a B, however, an interesting distinction emerges. "A" companies were more likely to implement ongoing communications (86%) along with good tools and processes (70%). "B" companies were more likely to attribute success to one or the other—either communications (67%) or tools and processes (47%).

In addition, "A" companies were less likely to credit the finance department for keeping them on track compared to "B" ones (33% vs. 45%). The companies that are most successful with their budgets favor a greater sense of transparency and collaboration over reliance on one department.

CENTER TEAM TAKE

"To be successful requires a combination of ongoing communications/updates and good tools and processes in place. This enables better visibility into spend and decreases the amount of time on managing a manual process."

Heather Singh, CMO

If you graded your company an A or B at managing budgets, what's working? (top 3 responses)

70%
Ongoing communications and updates across departments

52%
Good tools and processes in place for budget and expenses

47%
Employees feel empowered to make strategic decisions about spend

TO THE POINT

Our survey uncovered a wide range of attitudes and processes, but ongoing communication across departments, in combination with good tools, is the winning formula.

8. Conclusion

At Center, we believe that budgets should reflect strategy, and that every employee, at every level, in every action, contributes to the success of that strategy. Used correctly, budgets help make smart decisions about how to invest resources in a rapidly changing business environment.

These survey results highlight a fundamental problem—without timely insights, budgets are just static documents that cannot support organizations as they grow and evolve.

Budget managers and employees need better solutions that allow for real-time visibility, ongoing adjustments in priorities, and consistent communications to help them meet their financial goals and make more strategic decisions about where to prioritize and invest resources.

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Center focuses on making business spending strategic, intelligent, and connected. Its CenterCard corporate card program helps businesses achieve more by dynamically linking budget to strategy and spending. CenterCard comes with Center Connected Spend Management software, a suite of tools designed to help businesses make the most of every dollar and to empower teams to make better spend decisions.

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