



TRANSCRIPT

Episode #40: Win Approval For Your Budget Expenses

You are listening to episode 40 of *Mastering The Power Skills*. You know, the annual budget season can be a stressful time in the corporate world. Will you get funding for the important resources you need next year? Will you get approval for projects and initiatives you feel are valuable? Or instead will decision makers give you a thumbs down?

Join us in this episode to learn two ways of making your budget proposals more persuasive and make this the year where decision makers are excited to listen to you.

How much more could you accomplish if you were 25% or even 50% more influential and persuasive? Welcome to *Mastering The Power Skills*, the podcast that provides you with the tips, strategies, and the inspiration to grow your own

power and win support for your ideas. And now here's your host, C-suite leadership coach Kathy Dockry.

Hi everyone. A coaching client and I were having a lot of fun the other day identifying the various seasons of the corporate year. We did a pretty good job of charting it all out. There's a rhythm and a flow to the events that occupy minds of leadership at any given point in time during a typical year.

And sure, there are some differences between company cultures and geographies, but it's interesting to see how much similarity there is among corporations around the world. And, of course, there's one season that's common to every corporation, and that's budget season.

In a large complex organization, budget season is an annual event and it can last for months and months. Determining the budget that will guide decision making for the next financial year is a broad process that impacts almost everyone at every level of the organization. There's the top-down process of generating the targeted budgeting amounts for the entire company and each of the main divisions and functions.

And then there's the bottom-up process of generating ideas and recommendations for the resources and the initiatives that will support the business. And, of course, there's the lengthy and often pretty messy work of reconciling these two perspectives; the top-down one and the bottom-up one so that a final formal and comprehensive budget can be generated before the start of the fiscal year.

There are presentations, arguments, trade-offs, swaps. There are political alliances formed and attempts to game the system. It can be entertaining and instructive to watch the dynamics and the posturing that happens when the budget season is in full swing.

And it can often be painful and frustrating if we're in the middle of it trying to advocate for resources that we need, or initiatives that need to be launched. You have to have a lot of patience and skill to steer your ideas through and win the approval that you need.

Before I became a P&L leader in my corporate career, I was a functional leader trying to win approval for a functional budget. First as general counsel, then as head of HR, and finally as Chief Administrative Officer. That's where I learned my best lessons about winning approval for my proposed budget. And I'm proud to

say that I became famous, well, at least within the company, for being highly successful at getting that approval.

Now why is that such a big deal? Well, if you're running a segment of the company that's frequently non-revenue producing, you don't exactly have a lot of leverage. If senior leadership is looking to keep overall budget costs down, they usually first try to do that with the functional departments rather than hamper the parts of the business that are actually earning money.

So, if you're a functional leader entering into budget season, the deck is kind of already stacked against you. And if you happen to be the rare functional leader who consistently wins approval for a budget filled with new initiatives, at least two things must be happening.

First, there's a perception that your department is already delivering great value to the company. And secondly, you probably know how to explain your recommendations to your business colleagues in a way that makes their eyes light up and lean in, versus yawning and fidgeting restlessly in their seats.

If you become good at winning approval of a functional budget, then if you later moved to a P&L role, like I did, you are dynamite. The bar for winning approval of

your proposals generally is going to be a little lower and there's already hard data that proves whether or not you can deliver on your objectives.

Of course, you still encounter a lot of challenges and hurdles on the way to getting approval of your budget, and many P&L leaders still don't get what they want. But I'll always be grateful that I learned how to navigate budget season effectively during the functional phase of my career. It set me up for a lot of success in my P&L roles, where the stakes became higher and higher.

So let's turn this conversation back to you. I suspect most of you listening to this podcast routinely get involved in budget season activities, even if you have small budgets. Before budget season starts you're thinking about all the resources you need for the next year and all the initiatives you need to undertake.

And during budget season, you have to justify why the expense for those resources or for those initiatives should be included in the budget. In fact, you may have to do that over and over again at higher and higher levels of financial decision making. So what can you do to increase the odds of approval? And how can you make what is often a challenging process, both easier for yourself and more successful?

I can't share all my expertise on that in a single podcast episode, it would take a whole series or a book. I wonder if there are any books like that out there, in fact. But I can give you two straightforward strategies that will do an awful lot of the heavy lifting for you.

If you use both of these strategies, you will vastly increase the chances of you winning approval, even when targeted budgets are tight. And the opposite is true as well. If I see someone not get approval for their proposal in budget season, it's highly likely that they didn't use either of these strategies.

So let's start with strategy number one, and that is to always establish that your proposal is not a cost, but an investment. Now, you may think you know this already, but you know what? I've seen the most seasoned and clever senior management team members not get this right.

Now, they may not completely drop the ball. But they sure don't make this clear enough to decision makers. So don't be too quick to assume that you're already doing this well. It might be worth your while to walk through this with me as we keep on going during the podcast.

And as I do that, you're going to notice that I'm going to give you a lot of examples from the point of view of functional departments. Departments like legal, HR, Environmental Safety and Health. And in fact, if you're in HR, hang around till the end of the episode. I'm going to tell you about some free resources that we put together that will definitely increase your win rate during budget season.

But going back to the examples, the reason why I'm going to give all of you examples from the functional departments is, again, because they usually have the most challenging job in justifying their proposals during budget season. So that's why examples from this world are helpful. Even if you're not in a functional role these examples are going to be useful signposts to how you too can make your budgetary requests more persuasive.

So let's first clarify what we mean when we're talking about costs versus investments. A cost is simply an expenditure of money with no obvious monetary gain to the person making the expenditure. So a cost could be for something that might be meaningful or interesting, or even innovative. But if there's no clear payback to the company that is making the expenditure, then that company has simply incurred a cost.

It doesn't see or is aware of any monetary gain to itself in funding the program. Let me give you an example of this. Let's say you want to propose a management skills training program for factory workers. And that program could lead to promotions for them, or even higher pay for them. But what's the return to the company? The company is going to fund that, what is the return on that particular cost to the company?

At the moment, as we're talking about it, there isn't a very clear monetary gain to the company in doing this. It's just kind of a nice thing to do. Now, let's look at the same program and that same expenditure of money through the lens of an investment. An investment is an expenditure where the person making the expenditure gets a monetary gain. It's as simple as that. There is an ROI, a return on that investment.

So in the case of that skills training program for the factory workers, if we could show that having up-skilled workers in managerial positions lowered our outside hiring costs and improved productivity, then there would be a clear ROI. A clear return on our investment.

If you're the head of ops or an HR business partner during budget season and you want to pitch that training program, you're obviously going to be much more

likely to win approval if you characterize the expenditure as an investment, and then describe the return to the company for making that investment.

In fact, usually, you don't have to detail every nickel and dime of what that monetary gain will be because I've found decision makers will often accept general estimates if they're based on reasonably valid data. So all of that kind of seems straightforward and you're probably nodding your heads.

But what actually happens in real life? Frequently we forget or get a little lazy in making our argument. I sometimes ask myself, why is that? It's not that there isn't a reason why our proposal isn't an investment, because there usually is. In fact, it might be that it's even a very good investment.

I've been watching this situation play out for many, many people over the years and I kind of think I know what's going on. Because sometimes the value of what we're proposing is so clear to us that we forget that maybe it's not so clear to a busy person who's thinking of a million other things.

And when you think about that, that kind of makes sense, doesn't it? Because you've been on the other side of that as well, haven't you? You have a full plate of

issues and deadlines that you're dealing with and someone is trying to pitch you an idea.

They seem to be very enthusiastic and they think their ideas are important, but you don't have a lot of time to dig into that idea and truly understand it. And the financial gain to the company isn't that all very clear to you because you don't have time to dig into that idea. So you make a quick decision, and you move on to the next thing, right? And you're thinking to yourself, if it really was an idea worth doing, the person would have made that clear to you.

So it's really very understandable that if someone doesn't clearly articulate the return on investment to the company of a good idea, there is a strong risk that the idea will get shot down during budget season. At the very least, you're going to receive more challenges and more pushback on your idea than you would have had if you took the time to actually spell out clearly what the return on investment is.

The way I think about it is that if you really believe in your idea, it's your job to make it easier for the person to understand the value of your idea. It's not the other person's job, it's yours. You may think that the idea speaks for itself, but it doesn't. And when you fall into that trap, and we all do from time to time, what

you've done is make the other person responsible for doing the work that you should have done in the first place.

That's one of the fastest ways I know of not only lowering your win rate, but also losing influence in the future. You should always make it easy for the other person when you're pitching an idea. Don't force them to do the hard work of figuring out whether the idea has value or not.

Now, this is usually the point where one of my coaching clients might say to me, okay, I now understand where I may have been going wrong with my budget proposals. I see how I'm going to get more of my ideas approved if I can clearly articulate the financial return on the investment to the company. But darn, it could be a lot of work to gather all the evidence that I need. And how do I know whether all that data I collect is going to be convincing or not?

So let me tell you the good news. Yes, you do have to stop and think a little. But you actually may have to put in much less time and effort than you imagine to make a convincing and persuasive argument about the ROI for your idea because here's a shortcut for you.

Ask yourself these two questions: how does my idea create competitive advantage for the company? Either by benefiting it directly or by benefiting people who are in charge and responsible for delivering competitive advantage to the company. And secondly, ask yourself this question, how does it allow us to do things faster, easier, cheaper, or better?

Let me tell you, you can almost always come up with several good answers to those questions. And I don't want to be snarky, but if you can't come up with some good answers to those questions, then your idea might not deserve to be approved at all. It usually doesn't take that long to come up with the answers either.

If you give me an idea without an obvious ROI, I can now generate several good possible ROIs, probably in less than five minutes. Sure, I've had a lot of experience at this, and you might take a little longer than me at first. But I think you'll be pleasantly surprised at how answering these questions is not particularly time consuming, especially if you have a helpful colleague who you can brainstorm with.

So here are a few examples to illustrate how these questions work. So you remember the management skills training program I mentioned before the one for the factory workers? Well, one possible ROI is the money saved by filling

managerial positions with trained former line workers versus having to recruit people from the outside and spend the time and money onboarding them.

In fact, if the company is struggling to find qualified talent externally, a skills training program is a great and cost effective solution. Another possible ROI for the training program is increased productivity. When you have a program like that, you tend to better motivate your workforce. Plus, internally promoted managers are already familiar with the company culture and they can better troubleshoot issues.

Here's another example. This is actually a historical example that happened a number of decades ago. And it's an example of how functional leaders won approval for corporate investments. Environmental staff in mining companies back then noticed how tough it was to convince management teams to spend money on programs to reduce production waste. Management wanted to meet the legal requirements, but they just wanted to spend the bare minimum to do so.

So environmental staff started promoting the more effective waste management programs, the ones that were the more expensive ones, as the means to sell high quality waste components to industries that could actually use the byproducts of smelting and refining. So basically, they figured out a way to sell the waste to

other companies. And suddenly what had looked like a mandatory cost turned into an investment with a very nice financial return.

Waste management programs started getting more and more funding from decision makers during budget season and now there's really a tendency for them to get approval pretty easily now because decision makers understand that there is that sort of financial return, when they didn't understand it before.

And finally, here's a recent example I saw at the legal department of a large client company. The system that the department had for the very complex task of managing the company's contracts and contract processes needed some significant and expensive upgrades. When the topic was first raised during budget season, the department relied too heavily on the obvious justification for the upgrades, that it would make life easier and more efficient for the department itself.

Needless to say, even though decision makers were a little sympathetic, they didn't find that a sufficiently compelling reason. The company was heading into an economically challenging time in its markets and making life easier for the legal department was not kind of top of mind for them. So the legal department regrouped and realized that it needed to reframe its justification in terms of its business colleagues.

In other words, how would the upgrades make work life easier, faster and better for the business colleagues who worked with the contract attorneys? A faster and more accurate turnaround on contracts allowed those business colleagues themselves to move faster on contractual issues and to create great working relationships with the third parties they were contracting with.

It even allowed them to move faster than the competition, and that delivered a competitive advantage to the company. So what did the legal department do? It went out and collected some stories from the business colleagues about what an upgraded contract management system would allow them to do. And what suddenly had originally looked like an unnecessary budgetary cost became a savvy business investment. At the end of the day, the legal department did, in fact, win approval for its request.

Okay, I've given you some examples to think about. And let's summarize again what you should always be doing with your budget proposals, whether you're in a functional or an operational position. You should always be able to characterize the expenditure as an investment versus a cost.

You should always be able to describe how that proposal enables the business to gain financial advantage by allowing revenue producers to do things faster, better, easier, or more cost effectively. And when you don't do that, decision makers may still love your proposal, but they will be resistant to allocating much money or resources to it.

Now, let's move on to tip number two. This is a ridiculously simple tip, but you'll find that it's also very powerful. It has to do with the order in which you say things as you explain the proposal that you're making for the budget. Almost everybody in the business world uses the same three-part order when they're pitching a proposal.

Here's what we normally do, we say, I think we should do this initiative to solve a problem we have. Here's how it would work. And if we do this initiative, we will get the following benefits. So do you see that order as I talked you through that? Part one is I have a problem solving initiative. Part two is here's how it would work. And then part three is, and here are the benefits, including the ROI.

Now, that sounds very reasonable. Of course it would, because it's the order that we commonly use in the business world. And once you know this order and you start to observe everyone around you, you'll be amazed at how often we're using

this approach. I'd say at least 99% of us are using this order of words 99% of the time.

There's a reason why we do that, but I won't take up your time today to explain all that. I just want to make the point that there's nothing inherently wrong in using that order. But here's the problem, we know from research and linguistics and neuroscience that this is not a persuasive order in which to say things. However, there is an order that human beings find to be naturally persuasive.

And that order is to start with the benefits and the ROI, versus end with them like I did in that example just now. In other words, part one would be, I have an idea that delivers the following benefits and ROI. Part two would be, here's the idea. And part three would be and here's how that idea works. So that's all kind of theoretical. Let me give you an example of how this sounds if you were pitching it.

So we'll use that management skills training program for the factory workers that we were talking about earlier. Imagine you put that in your budget, and a decision maker might say to you, hey, what's that line item for training and your budget? It looks pretty pricey to me. Then you would say, oh, that? Well, I came up with an idea that is going to save us approximately 200,000 every year in hiring costs. And that I suspect is also likely to increase productivity by 10%.

So see, that's part number one, you're leading with the return on the investment. And then you say, the idea is to offer our most capable line workers some training and basic management skills so they can be ready to take supervisory positions. That's part two, you're telling decision makers what the idea is.

And then finally, you get to part three, explaining how the idea works. You say something like, within a year of implementing this program we'll have a cadre of fully-trained line workers from which to choose when we have supervisory positions open up. At the moment, we're spending X amount of dollars annually, both to locate supervisors externally, and then to get them onboarded into our culture. And our retention rate of those supervisors hasn't been as good as we'd like in this job market.

So this idea would save us money, improve morale, and likely productivity of our current employees. And it could increase retention as well. Now, obviously, you could say a lot more about the program to strengthen your case if you wanted to. You could bring out all sorts of charts and PowerPoints. But the point that I'm making here is that whatever you are saying needs to be in this order, where the return on the investment for your idea is what you're talking about first.

You might feel a little awkward when you first start using this approach. But you know what? I've seen this approach used over and over again for many decades, and your listeners don't seem to notice that you're using a different order at all. Instead, they lean in and they get curious. They want to hear more.

At a time where they're getting all sorts of requests to spend money and incur costs, you're helping them out. You have an idea that might make or at least save money. And that idea would make people happier or make things easier or faster for them. Who wouldn't want to hear more about an idea like that? And who wouldn't want to think it over and give it a chance to work?

You're going to have decision makers who are going to be much more open to you when you use that order. Now, changing the order in which you say things doesn't guarantee you'll win approval for your idea, but it does substantially increase the odds in your favor. If the idea is a good one and if you can articulate an interesting return on investment, using this order to explain your idea will make it much more persuasive to whoever's listening to you than it would have been otherwise.

So, there you have it. Two tips that will really help you out when you're seeking approval for your own budget during budget season. And I'd love to hear your

success stories on this, so be sure to send me an email in the address that we've dropped in the show notes.

And also, by the way, if you're in HR I have some great news for you. Every year we put together a free private podcast series of three to four episodes to help HR leaders like you increase your win rate during budget season, while also impressing your business colleagues with your innovative thinking.

The series is called Mastering The HR Budget Proposal. As I mentioned earlier, HR often has the toughest job advocating for initiatives during budget season. And it deserves some really good tools in its toolkit to do this. This private podcast series is my way of helping out an important function by evening the playing field.

If you're interested in those resources, be sure to follow the link that we'll be giving you in the show notes to this episode. Or you can just simply send me an email.

All right, my friends, whether you're in the functions or on the operational side of things, I'm rooting for you. I hope this year is the year that your win rate during

budget season starts going up. And in the meantime, here's to an awesome week ahead, and I'll see you in our next episode.

Hey there, would you like some personal guidance about how to use the power skills of influence, persuasion, or presence in a particular situation in your workplace? Well, if so, we've got your back. Just send us a note explaining your situation to powerskills@significagroup.com. We'll drop that email address in the show notes. We'll feature your inquiry in an upcoming episode, keeping your identity anonymous, of course, and make sure you have some tips and strategies to help you navigate your particular situation skillfully.

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