

IT BUDGET MANAGEMENT OVERVIEW AND TIPS FOR SUCCESS



Is there a scarier word in management than "budget"? Whether you're in charge of a small team or you oversee dozens of departments, putting together a budget can provoke feelings of fear and frustration. Asking for money is always scary – especially when you know you will be judged for how successfully you managed it. The year-long projections and request for money can feel alternately like a mystery you're forced to solve or a game you don't want to play.

Add the slippery, ever-shifting world of IT, and you're stuck with trying to build a budget for a team that generates business revenue yet most companies still treat as a cost center.

But it doesn't have to be like that. Whether you're building your first budget or you're a seasoned veteran, here are some IT budget management tips that work in your multi-cloud world.

(This article is part of our [IT Cost Management Guide](#). Use the right-hand menu to navigate.)

Do's and don'ts: Budgeting best practices

[Budgets are one of the many tools that managers use to achieve goals](#). Instead of thinking of budgets as a favor or a debt, consider your budgets as a way to align your IT initiatives with monetary investments. After all, the company knows you need money to accomplish your goals. And, like in your personal life, budgets aren't inherently bad – they simply make you refocus on the things you want to accomplish.

Before diving into budget line items, let's look at some general budget approaches:

- **Ditch the guessing game.** Budgets are a strategic tool, not a free-for-all. That means you should have a philosophy or approach in mind – increasing spending to support certain goals,

perhaps curtailing spending in other areas. But some managers take a “guessing game” approach by simply requesting an additional 10% of this year’s budget, without real strategy or proof of concept behind it. By doing that, you’re sending the signal that your work is 10% more important this year than last. Maybe it is, maybe it isn’t. This guessing game also undermines your authority to define your team’s focus.

- **Manage your budget like it’s your own money.** Taking ownership and responsibility of what you want your team to accomplish can open you up to a way of thinking that goes beyond a random ask for money. Look at areas that you’ve fallen short in the past and consider new approaches. Read up on new trends and see if any are applicable to your team’s work. Putting skin in the game – which you already have as a manager – shows that you know what’s on the line.
- **Quit that “use it or lose it” mentality.** The idea that if you don’t use all your allocated money this year, the higher-ups won’t give you more next year may have some basis in reality, but it’s not a smart financial move. No matter who’s telling you to do this, it’s often a bad habit: it encourages willy-nilly spending and it undermines all your future spending justifications.
- **Be transparent with your team.** (At least, as much as you can.) We know some companies can be secretive about their budgets; still, it is beneficial when your direct-reports know exactly what they can spend on training or on software – you’re not wasting their time or yours. They’ll appreciate it and you’ll benefit from a more trusting relationship.

First-time budget tips for IT managers

Newly-minted managers often feel an overwhelming sense of dread when it comes to budgeting. After all, you may have been promoted for any combination of your IT know-how and your people management skills, but if you’ve never put together a budget, it’s likely not a skill you’ve spent much time considering.

Keep in mind that everyone before you [learned budgeting on-the-job](#). Some up-front investment of your own time alongside these practical tips will help you organize the chaos and uncertainty:

- **Treat the existing budget as a baseline.** [Review the current budget carefully](#), ask questions (to yourself or to the person who developed it), maybe poke holes in it. The goal is not to agree with the budget’s methodology, but to understand how it was put together.
- **Learn from your team.** Whether a formal meeting or a casual conversation, talk your team about their needs: what did they spend money on this past year? Will they need new hardware or software or trainings for next year? Ask them to prioritize – what’s the thing they need most? What’s the trendy thing they like but may not need just yet?
- **Chat with corporate.** C-level executives likely already established a general budget for next year, before you have to make your monetary requests. Find out if they give a rule-of-thumb – they may say that you need to be within a certain percentage of last year’s budget.
- **Ask for help.** Since you’re not the first person in the company to build a budget, ask for some expert help. Go to your finance team and see if they have budget analysts – a role that many companies employ. They can help with standard budget questions, more complicated topics like amortization and depreciation, and even give you tips on getting your budget approved. You could also talk with a couple manager who you look up to for their insight.
- **Take a budgeting class.** Check out a nearby community college or business school for a budgeting class for non-financial professionals. You may even be able to get work to cover the expenses.

- **Prioritize your budget asks.** Let's say you only get approved for 90 percent of what you asked for – what items can you cut? Or, perhaps corporate earnings are short mid-year, so you're asked to scale back. Knowing which items are higher and lower priority from the get-go will make this process much easier.

Tips and tricks for IT budgets

As you get more comfortable with maintaining a budget, you'll get more sophisticated with the ways your budget can work for you. You can also harness your budget as a tool towards larger corporate harmony.

- **Share the wealth with other teams.** Maybe last year you had a much heavier budget than normal – you scaled up with new hires, you invested in some new hardware, and you changed your team's functionality and philosophy. So, be a team player and consider a more "normal" budget for this year. Ask your manager where your budget fits into your manager's overall workload, perhaps this year it's time to scale down so another team can grow.
- **Share manpower.** You want to hire a data scientist, but you don't have enough money for a full salary. Instead, find other teams who could use a part-time data scientist. By [sharing the workload for a person across teams](#), you can also split the cost for that employee.
- **Consolidate databases and apps.** At least as much as realistic and feasible, consolidating your databases can help you reduce costs. Whether living in the cloud or onsite in servers, by reducing how many places your data lives, you can scale back your infrastructure costs.
- **Ask about financing options.** You may need to make a purchase or hire a new employee, but you don't have the budget for it. Look for an intern, ask your software or hardware vendor for finance options, or see if a vendor can do a proof of concept project, so you can test-drive a new system. When your budget opens up, you'll already know you like the app and you'll be ready to justify its cost.

Long-term IT budget best practices

A budget should never be just a year-long forecast. It's a way to measure what's working against what you thought might work. It's a test in imagination versus reality. Incorporate these best practices into your IT management style:

- **Review your budget monthly.** See where you overspent and underspent – and see what the results were. Being proactive with your budget means next year's budget will be a lot easier – and smaller – of a task. You'll also start to see trends or setups for failure: for example, let's say you want to shift to mobile apps, but your overspending elsewhere means you can't hire that mobile developer you planned on.
- **Consider fixed costs versus variable costs.** Upfront CapEx spending is pricey and non-flexible: buying hardware or signing a contract for a years-long service locks you into those prices. But, considering as-a-service options can give you flexibility and scalability.
- **Communicate.** A budget is one way to communicate your team's goals, to your managers, to the company at large, and, of course, to your team. But [communicating](#) itself can be just as useful: If you're getting off track, ask for help. If you can't figure out where the money is going, talk with your team. If you're successful, share your best practices.

As you get better managing your budget, you'll optimize your cost and your value. This can be the

difference between being treated as a standard cost center and being recognized as the revenue producer that IT truly is.