

6 HR Budgeting Mistakes You Want To Fix Before 2016



Most human resources professionals did not enter the HR profession because they wanted to be accountants. While financial management and budgeting are components of HR education and training and an important element of the job they do not always get the time and attention they require until they are face to face with a budget issue or next years budget planning.

As you review your 2015 budget and prepare for your 2016 budget here are a few mistakes to you might want to avoid.

1. 6 HR Budget Mistakes To Avoid Not aligning HR budgets with organizational goals: Getting a seat at the table in decision making around future goals for the entire organization is not always an invitation HR receives until after the meal had been planned. Unfortunately organizations sometimes set goals without fully considering the impact on HR including the costs of supporting the organizations goals. Identifying the goals of the organization and considering their impact on the HR budgeting process is an important element of HR budget planning in organizations of all sizes. Each year review the previous years organizational goals and assess where those goals impacted HR in unanticipated ways and calculate the impact of those goals on your department. Use this information to help align your budget in the coming year and also make the case for full HR involvement with the organizational goal setting. Your organizations goals will be ultimately difficult to achieve if HR does not have the resources to help make them happen.

2. Failing to consult early and often with other manager/departments: Similar to alignment with the organizational goals, it is important to be in the conversation with each department and understand their plans and goals. For the HR department a thorough knowledge of their other department's plans is vital so you can plan and budget accordingly. Establish a process where each year you consult with those departments their HR related plans and help them understand

the potential costs their plans have on HR. Within their budgets they may anticipate the cost but fail to understand the costs HR incurs as a result of supporting those activities.

3. Not having the right people assigned to the budget review and planning

process: Sometimes budget planning becomes a secret society where only the Director and/or Manager and one administrative support person is invited in. The HR budget process should include a variety of people including people from other departments who can help understand the full costs of HR activities. A full picture of the costs for recruiting might need to include a conversation with the marketing department who may design a recruitment video or social media campaign, IT who may be involved in the setup and maintenance of a new HR management system and so on. Within the department there may also be expertise on the latest apps, insights into the best places to get training and so on. Determine if you have a real 'numbers' person within the department. Don't forget to consult with your finance and accounting department or bring in an external reviewer to help develop an accurate and manageable budget. Make it a habit to asking budget planning questions broadly and early to a variety of internal and external experts.

4. Not having a full picture of rising costs: Although most HR Directors are aware of the reality that many costs increase each year they may not always take the time to fully research costs in all areas. There are many nuances within the costs for compensation and benefits, supplies, training and development, recruitment, turnover, engagement, technology and HR management systems that need to be considered. For example, unexpected increases in the costs of bringing in speakers, consultants or trainers, facility and equipment rentals, higher fees for hiring foreign workers and more. Keep an eye out for industry, economic and general trends and look for opportunities to lock in costs early to avoid next year's increases if at all possible.

5. Failing to get out in front of changes in regulations and requirements: As regulations and laws change there are many direct and indirect costs that need to be remembered. Every year somewhere in Canada there are new requirements for ensuring a fair and safe workplace. Many of these requirements have direct costs to HR. New regulations will require organizational reviews, new policies, new training and other changes to hiring, evaluation, accommodation and more. Take the time to review new and upcoming legislation and regulations and project that cost into the upcoming budget.

6. Having the wrong or Inadequate training on your budget and accounting

software: Today there is more and easier to use software for setting, tracking, reporting and managing many elements of your budget. Sometimes this software is selected by and in conjunction with IT and Finance departments and sometimes it is imposed upon HR. Creating, maintaining and making your budget will be easier if you have the right software and all members of your department are trained on the proper use of the software. Analyzing and understanding this year's budget will influence next years budget. Human resources management has taken many steps forward in obtaining the recognition it deserves as a vital component of business success. As a key player in organizational planning and decision making including both workforce and financial planning it is important that the HR department has its own financial house in order.