***Habit 7 – Link your finances to your objectives***

The 7th habit is about not seeing your financial numbers in isolation. We’ve already talked about the link between what we do (and how we do it). This habit is about linking our financial performance to our objectives.

Instead of looking at the numbers and asking “Am I over or under budget?” it’s about looking at our financial performance in the context of how well we’re achieving our objectives.

The thought process behind this is that we are given a budget in order to deliver a set of outcomes. If we spend the money, but don’t deliver what’s needed we can’t justify spending the money – whether we’re under or over budget.

So the thought process becomes: “I’m under budget by 5% - that’s good. However, I’ve only achieved 90% of what I’d planned to achieve by now.” In that scenario, if we’ve only achieved 90% of our planned targets, perhaps we should have only spent 90% of our budget.

The converse can be true: “I’ve over-spent by 5%, but I’ve over-delivered against target by 10%.” That’s a reasonable outcome – but we still need to have a plan for making sure we’re within budget by the end of the year!

Of course, the Finance department, who deliver your financial results, won’t tell you what you’ve achieved for that money – you’ll need to get that information elsewhere.

And when your budget is agreed at the start of the year, it makes sense to agree what you’ll deliver for that budget. As you go through the year additional tasks will almost certainly be loaded onto you. Do those tasks come with additional budget? If not, how will you resource them? If you’re being asked to do additional things without any additional budget, what will you stop doing instead? And do you need agreement to stop doing those tasks?

We’re looking here at the budget being your input to finance your resources, and your objectives being your output. Of course they’re linked – your job as a financial manager is to understand that link.