

# BUDGETING AS A STRATEGIC TOOL FOR DEVELOPMENT IN THE ARTS

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(Received 26, September 2010; Revision Accepted 22, October 2010)

## ABSTRACT

This paper examines budgeting as a strategic tool for development in the Arts. Budgeting as a fundamental requirement to good management is being overlooked in Arts organizations. The study stresses the relevance of budgeting to arts organisations that ought to achieve their goals and objectives. It evidences the difficulties faced by arts organisations to sustaining their institutions, proffering solutions to them. It concludes by giving recommendations thus clear, simple and user-friendly budgeting should be developed, budget should be standardized for continuous balanced development in arts organizations. A budget committee should be set up and staff training and development should also be introduced to effect proper budgeting processes.

**KEYWORDS:** Budgeting, Visual Arts, Management, Arts organizations.

## INTRODUCTION

Arts is an integral part of a people's culture, which entails self expression conveyed through a medium which could be dance, music, painting, sculpture, ceramics or other sub-divisions of the arts. For this study, arts is divided into two branches which are visual and performing arts. Visual arts are the works of arts created in two or three dimensions, which include again sculpture, ceramics, painting, textiles, graphics, etc. On the other hand, performing arts or dramatic arts refers to drama, dance, theatre, music etc. Some aspects of the performing arts are visual recognizing the elements of the form therein.

An art as documents, apart from private collections, is usually housed in museums, galleries, theatres, radio, television, studios, for easy access. Out-door arts example, monuments, murals, frescoes, etc fall under street arts. All the arts can be administered and managed in such organisations and places. The instruments of such management include materials, equipment and personnel training and development. (adequacy of personnel in terms of number and quality) others include security, marketing and documentation. In order to manage arts appropriately for effective results, budgeting is very necessary.

Budget is the process of producing and controlling the spending of money. It refers to a

list of all planned expenses. According to Bessong;

A budget is a quantitative expression of a plan of action prepared in advance of the period to which it relates. A summary statement of plans expressed in monetary terms, prepared and approved prior to a defined period of time usually showing planned income to be generated and expenditure to be incurred during that period, and the capital to be employed to attain a given objective (3).

Adeniyi vividly articulates a budget thus, as a future plan of action formulated by management for the whole organization or a section thereof, which is expressed in monetary terms. A budget is therefore a detailed commitment to a plan of action, and in this respect differs from a 'forecast', which is merely an assessment of future events which are likely to occur if no positive planning action is taken (291).

To work effectively within a given paradigm, a budget ought to be prepared as a tool for

allocating regular financial and extra budgetary resources to all important organizational policy areas. This is so because a budget is a weapon used in any business to keep it alive.

Clifford observes:

a budget is a financial statement of the estimated income and expenses for a given period of time and in three general categories: (1) the income the theatre anticipates it will receive and the sources of that income (2) an estimate of the amount of money it anticipates it will spend and specifically how it will be spent (3) the specific periods of time for which the estimates are made (97).

Some arts organizations operate outside a budget, and so cannot articulate the successes or failures of their organizations. Against the above background, it becomes obvious that arts administrators cannot achieve better results outside of a budget. In this paper, an attempt is made to clarify the fact that effective arts management does not require a complex or huge budgeting procedure, which most organizations dread. Creating a budget needs not be a complicated or time-consuming task. A simple but steady budget must be maintained to assess the process of strategic budgetary planning over a given period. Given this brief explanation of a budget, it would then be proper to say that an effective budget takes planning, policy formulation, administration, analysis, and evaluation into consideration. In other words an effective budget is a device for executing adequate control over the many units of the organization, inter alia, towards effective planning and control, best described as "a management tool".

### **Types Of Budget**

There are two types of budget; the financial and capital budget. The financial budget has to do with income and expenditure. According to Bessong, "financial budget is concerned with expected cash-in flows and out-flows associated with the operations of an establishment" (5).

Income and expenditure budget is the type that deals with an organisation's yearly income and expenditure. It keeps a watch on both indices in anticipation of either an increase in income or decrease in expenditure. It has the

following components: sales budget, production budget, balance sheet, income statements, these bring us to a balanced budget, which indicates that expenses do not exceed income.

The second is the capital budget which monitors the income and expenditure for capital projects and items like plants and buildings, equipment, etc, which form parts of the organisation's fixed assets (Bessong 5). It should be noted that payments made for capital items are taken from the cash analysis book when summing up the expenditure for the period. Invariably expenditure on capital projects will not reflect in an income and expenditure budget.

The purpose or aim of budget planning is to strike a balance, that is, to make expenses equal to income. Arts organisations need to operate on a balanced budget for progress and development. Difficult though, salaries of artists/artistes, designers, technical staff, security, production expenditure, and capital equipment must be taken care of in a good budget. The big question is whether arts organisations like museums, galleries and theatre houses can make enough money to offset all these and has left-over for other developmental projects.

To achieve the most profitable use of institutional resources, the head of the organisation, who is usually the manager, director, or head of department needs to compile tentative information/ideas about income and expenses. For a result-oriented budget, it is very important to know what bills are due and when, money spent should be documented. It is very appropriate to keep receipts of all money spent. It is important to have a budget for regular maintenance and unexpected repairs, e.g. broken artworks, framing of works, torn/stained paintings, lighting problems, costumes, colostrums and so on. It is better to be used to a regular saving plan, and also adviceable to save five percent of the arts organisation's income. It is bad management not to save, keeping surplus cash around and not in the bank is bad business.

### **Benefits Of Budgeting In Arts Organisations**

Arts organizations need effective budgeting to allow for a plan detail of how funds will be spent and how such funds can be obtained for any exhibition or production in the organization. Besides, the profit of budgeting to fulfill the objectives of any organization cannot come easily, there is every need to work

towards achieving such through proper budgeting.

Failure of any organization to attaining its objectives is associated strongly to lack or inappropriate budgeting, which may lead to unpleasant results from staff and management refusing to make contributions to organizational goals.

An important benefit of budgeting in any arts organization worth its salt is that it is a medium of communication for such organizational plans and objectives, and the progress towards achieving those objectives. Running an artistic organization is expensive and can be unpredictable. For example one never knows when a problem may come up, example, light failure, repairs, inadequate security or other contingencies. It is imperative to have some money put aside to cater for such to meet the "rainy day" in order to save money, one need the ability and discipline to operate within a budget. One basic purpose for keeping a budget is to allow the organization economic solvency. This, in essence, will enable the manager to operate within the available resources. The manager ought to know at this stage, the limits of organizational funds and spending only what is available and at the same time satisfying the needs of the institution. For reasonable success, it becomes only imperative to plan ahead and stick to those plans (Clifford 98).

Proper budgeting helps to achieve co-ordination amongst the various departments and units in the organization. This will also create coalition of interest and so develop motivation amongst persons. This in effect increases productivity. Good budgeting helps to save management time through the use of exception principle, which is at the hearts of budgetary control. It decreases the occurrence of fire-fighting approach to decision making (Adeniyi 290).

An arts organization can through the budget access the performance of its organization thereby monitoring what happens or could happen later. This in effect compels all management staff to participate in the affairs of the organisation. Proper budgeting removes the cloud of uncertainty that dwells among level of management, relating to organizational objectives which invariably improves and create potent organizational structure thereby neglecting efficiency and inefficiency. An organisation without a budget has no direction.

The desire to expand and develop into a stable, strong and self-reliant arts organisation will be baseless without a sound budget profile. It is amazing to realize that a budget does not only pertain to corporate bodies but also to individuals and families. Udo brings down the budget need to the family level by asserting that even domestic income ought to be budgeted. He mentions areas of "food, housing, transportation, entertainment, education, savings and so on" (44). Thus, just like budgeting in organizations, domestic management requires good knowledge of basic accounts and similar matters. Its need cannot be under-estimated and if adhered to become a useful tool for organisation and individual development for all activities – occupational, professional, administrative and technological demands. Many people show little interest in record keeping. This attitude sets management and administrative incompetence which shows up before long. Account-keeping is indispensable in the life of any organisation if survival must be anticipated. The summary of development in any artistic firm is based on the strategies and tactics which are likely to prudent decisions of projected abilities, skills, attitudes and other challenges in organisations.

An arts administrator or manager as an integral partner in an arts firm cannot overlook the financial aspect of that organisation. Any such lapses can cause embarrassments if accounts are not properly rendered. For better results, the objectives of any organisation should include strategies in budgeting with up-to-date information on sources of income and expenses. The structure ought to also guarantee easy access to financial data.

### **Characteristics Of Good Budgeting**

To justify the need for budgeting, one has to understand the nature of it clearly. As Udo comments "the budgeting process is a method to improve operations. It is a continuous effort to the specifics of what should be done to get the job completed in the best possible way" (42). In essence, he made it clear that it is not a matter of assumptions or sitting and procrastinating but, a practical fact of contextual application or records, placing more emphasis thus It is not a way of reducing expenditure but a tool for obtaining positive results of organisational resources. Budgets allow organisations to foresee problems – that is, insufficient income for the year, and enable

the firm to prepare before the next season. Budget is used to control actual performances against what was predicted. It also requires a set of performance standards, that can be compared to anticipated results.

With reference to the above, the same author observes that budgets are beyond mere monetary considerations. They are choices, policies and philosophies of an organisation. Wildaushy writes that "Budget is the life blood of an organisation or government...if we substitute the words 'what an organisation ought to do' for the words 'ought to be' in budget". Thus, as the foregoing implies, good administrators ought to plan ahead and to observe the basic rules of proper budgeting.

### **Basic Rules For Handling Money**

Some rules have been given by Michael and Blume on how to handle money in any organisation. The rules are: keep in-coming and out-going money separate, always give receipts for money received. Obtain receipts for money paid out and pay surplus cash into the bank. Have properly laid down procedure for receiving cash. Restrict access to the petty cash system and to the safe. Learn to keep cash transactions to absolute minimum (3).

A typical organisational management process involves the following strategies; draw out the aims, objectives and targets for the organisation based on what you have been doing and what you have done and what you would like to do. Formulate the budget, including both income and expenditure budget and a capital budget. Review the actual situation against the budget. This should be prepared regularly. Take decisions based on the outcome from the budget so as to control the income and expenditure of the organisation. Review and revise the budget when necessary.

### **Up Against The Arts**

Arts as a commercial entity has faced and is still facing difficulties and obstacles, a near dormancy situation due to a large sum of money required to run it as a separate organisation from the government or university communities. These obstacles are really up against the arts. As one of the least funded organisations by government, it is necessary to draw budgeting strategies for its development. How can income be earned to keep the business afloat? This can be from exhibitions, box office, sponsorship or donations, grants in-aids and so on. It is important to recognize that

this institution exists within the overall institutional settings in the country. Hence, where all the institutions are all dying slowly it would be a surprise to have arts meeting its expectations. The museums, galleries, theatres, cultural centres are facing financial problems.

Surprisingly, arts should be the custodian of values namely, educational, cultural and literal. But the support given is poor. Experience has shown that the revenue of government reduces, it is the investment expenditure that first gets the knocking. The little funds available are inadequate to maintain and run infrastructures of the arts organisations.

The difficulties faced by public/private arts organisations and are similar, although in the public sector, political, legal and social difficulties are dominant. Examples of such difficulties are market and user need, that is size and comparison of audience groups.

Financial or economic difficulty talking about the capital available and ability to raise income. The organisation must take into consideration a financial statement of estimated income and expenses for a given period of time and this comes in three basic forms: the sources of income the arts organisation anticipates, spending money and how the money will be spent, the periods of time for which the estimates are made. Documentation and examination of the results based on this must be applied to the arts taking into consideration any changes or modification to be made.

Effects of extra budgetary resources are due to unforeseen circumstances of the availability of resources and the specific policies and approaches of donors and funding bodies. Problems from projected funds may affect budget preparation. The expected income may not be adequately taken into consideration in the strategic planning process. Issues relating to general management of resources, centralization, transparency and rationality due to allocation of resources, including administrative services funds are normally addressed in the strategic budgeting process.

### **CONCLUSION**

The paper has made clear the fact that budgeting is a financial tool without which commercial activities of the arts organisations would fail.

The organisations have objectives and goals to achieve using the lean resources within them. How to manage the resources

successfully becomes the major area of concern. Budgeting is a major area which, if properly handled, will ensure successful artistic programmes. Clifford asserts that "the basic purpose in preparing and following a budget is to operate the institution in a fiscally responsible manner" (95). This can be applied to any arts organisation.

If one has never operated within a budget, one may not have a clear picture of how money is spent. If this is the situation, the need arises for a closer monitoring of one's spending pattern. To get started one must keep records of every expenditure. Proper examination of one's spending habit will give one a pretty good idea of what is truly important or otherwise. In the light of this examination, it becomes necessary just how important it is to budget in any organisation. Administrators, heads of departments, directors must be willing to spend less in certain areas in order to operate within the budget. Similarly, the arts budget as an organisation or business entity indicates the institution's income sources and allocates funds for areas of development. The arts institution's budget can be used as advice for controlling the various components of the organisation or institution. This is why budgeting is a management tool.

### RECOMMENDATIONS

To improve the process of budgeting in any arts organisations the following recommendations are made below: Develop a clear, simple and user-friendly budgeting programme. In order not to run the risk of continuity of the budget process in the organisations, basic areas of emphasis should not be changed unnecessarily. This is effective budget management. The budget should be standardized and timely executed. Terms used in preparing the budget should be standardized, defined and made known among concerned staff before presentation. Priority setting should be pursued with the view to achieving more objectivity. Application of integrated planning of regular budget financing should be introduced in order to establish transparency. Staff training and development should also be introduced and encouraged to facilitate full application of result-based budgeting in the organisation. A budget committee should be set up and given the responsibility of developing and co-ordinating budgets. This committee should appoint an accountant who will serve as the

budget officer proffering technical assistance during the preparation of the budget.

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