

Break Out of the Risk-Adverse Budgeting Trap

By Martin R. Baird

I have a serious question for all casino chief executive officers and general managers. Do your department heads do risk-adverse budgeting?

No, this is not some new trend. Unfortunately, risk-adverse budgeting has been going on for far too long in my opinion. Casino managers often draft budgets that are pretty much a mirror image of their previous year's budget. Or they work up numbers that they know will be easily approved. Instead of asking for funds to do what is needed to create greatness for the casino's owners, employees and guests, they go for what is easy. They settle for that which has little or no risk. That's risk-adverse budgeting.

But budgets provide the perfect opportunity to take risks. When I was first out of school, the creative director of the ad agency I worked for always said we weren't doing our jobs if clients liked every concept we presented. In other words, we weren't needed if we couldn't come up with ideas that had not occurred to our clients.

The key here is that casino department heads need to stretch the boundaries. You may guide them back in, but at least they are thinking and proposing new ideas. They need to extend their vision for the future and put their money behind their ideas. If they know that a 3 percent budget increase will be accepted without question, they shouldn't use that as a stop sign. They should see it as a guide post. Their job is to see beyond what the others on their team already see for their department. If they are not testing the boundaries of their department, who will?

Please understand that I'm not suggesting you take unproven risks that have little chance of paying off. But taking calculated risks is important if you want to be ahead of the competition. Risk-averse budgeting never created an industry or market leader!

Here is a quick non-gaming, real-world example. Recently while I was at home, I received two telemarketing calls from people doing research. With expertise in the area of research as it relates to my company's Advocate Index™, I'm always interested in what other companies and industries are doing. As I have mentioned before, I enjoy looking for new ideas and concepts outside the walls of gaming.

The first call was from a company that was doing research regarding some ballot measures and voter interest. I decided to see what they were up to. Immediately, there was a problem – or it should have been a problem. These were Arizona ballot measures and I reside in Maryland.. When I mentioned that to the researcher, he said, “That’s OK if you’ll answer the questions.”

I figured if he wanted my opinion, I would share freely. The majority of the questions were about raising taxes. I consistently answered that I was opposed to raising taxes. Near the end of the survey, I was asked if the measures passed would I want the money spent on children or soldiers coming back from war. Now there really was a problem. I couldn't answer because I had consistently said I would not vote for the measures. And I could see the Arizona news headlines later – 67 percent of people surveyed said they would support more funding for children over war vets. Talk about misleading!

What does this have to do with budgeting? Obviously, someone hired this research firm on price alone. Anyone who would allow a person from a different state to answer these questions must have come rock-bottom cheap.

Two days later, the next telemarketing call came and this one was from The Gallup Organization. Gallup wanted to ask me about my most recent experience with my bank. The person who called stated his name, the name of the research company and what he wanted to know about. He also set the expectation that the survey would take five to seven minutes. He confirmed that I did indeed bank with the financial institution in question and that I had had a recent transaction. Then he asked if I or anyone in my family worked for the bank. What a great idea! They weren't interested in what the husband of an XYZ Bank vice president thought about the bank's service. The first researcher who called could have cared less that I lived in the wrong state.

I'll guess that the fine folks at Gallup are not the cheapest on the block. But based on the short interaction I had with Gallup, I would be much more likely to invest time and money into the results they provide me.

I'm sharing all this because I think when we are risk adverse and let the budget drive our decisions, we often do what is cheap versus what is best. I'm amazed at the number of proposal requests my company receives that lead off with questions about the cost and possible discounts. They don't ask if my company's expertise can help them make more money.

Budgets are critical to all businesses. What I'm hoping for is that more time is spent looking at what each line-item investment will generate in revenue and savings. Each budget item has a cost but it also could have an amazing benefit. When cost is the

driving force, you are doing risk-adverse budgeting. Can your casino's departments afford that?

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