



7 Top Tips

Forecasting, planning and budgeting: A guide for FDs and owner-managers

Business forecasting, planning and budgeting is vital for successful financial management.

When done right these tasks can help you stay on track financially and gauge how well your business is doing. But, when they're not, the risk of cash flow shortages or missed opportunities can increase dramatically.

To help you get it right, here are 7 top tips for FDs and owner-managers.

1

Collaborate with other departments

When it comes to the financial reporting process, collaboration is vital for success.

If you limit the process to a single team or department, for example, you might miss crucial information that only other people in the business are aware of. Plus, when every facet of the company works together closely

on budgeting, planning and forecasting – or indeed any aspect of business – reaching organisational objectives becomes more achievable.

So get each department's forecasts and budgets before combining them to gain a truer picture of the business's performance.

2

Use the right tools

Whilst Excel spreadsheets are still the primary budgeting tool for many small businesses, utilising new technologies can be a great help in reducing the amount of time it takes to forecast and report on data.

In recent years advances in planning and budgeting software have allowed businesses

to manage the process more effectively and improve the accuracy of projections.

It's always worth exploring what software is available for your business and its budget to see if you could save vital time and resource throughout the planning process.

3

Focus on business drivers

With so many different aspects of the business to think about it can be hard to know which areas are most important during the financial planning process.

But, arguably, the most important focus should always be on the business's key drivers.

Driver-based budgeting and forecasting can be beneficial as it will often provide a more accurate projection of financial outcomes and will help fulfil the company's objectives.

4

Regularly monitor and update progress

Especially in smaller businesses, which typically have limited time and resource to allocate to the planning process, forecasts and budgets will often be created and then left gathering dust. But by failing to regularly monitor your progress, you are doing your business a disservice.

Ideally your business should implement an 18-month rolling forecast which is updated with real data at the end of each month.

This will provide your company with a more thorough financial picture, helping to identify any upcoming cash flow shortages and enabling you to take action.

5

Analyse your data

Likewise, regularly analysing your performance is essential for learning how your business is progressing and what actions should be taken to improve.

When doing so it's important to ask yourself two key questions: 1. How are we doing compared to the budget, and 2. Why did

actual results differ from the plan?

This analysis will allow you to identify reasons behind both planning and performance failures and can help highlight where you are successful and what needs to change.

6

Learn from experiences

As with most business tasks it's important to learn from your successes and your mistakes.

So, once you have your analysis, be sure to act on it. Important questions to spark this process include: What must we do now to have a better result next month? How can we keep the positive differences and avoid

more of the negative ones? And, what are we learning that will make next year's budget better?

This data can then be used to rethink your organisational strategy to prevent resources being wasted attempting to meet unachievable targets.

7

Develop your own way of working

Finally, one of the most important strategies is to adapt your own way of working.

No two businesses are the same and equally no two finance directors or owner managers tackle the financial reporting process in the same way.

So it's vital to develop your own way of

doing it and practice is key to making this a success.

Whilst at first it may be tough to accurately predict the future, as you get a better idea of the business and its drivers your forecasting accuracy will improve.