Gene Siciliano

YOUR CFO FOR RENT®

For a few weeks, a few months, or a few years

8 Key Budgeting Tips for First Timers

Most companies with sales under $10 million, and some much larger, don't use budgets to help them meet profit goals or make resource allocation decisions. CEOs and operating owners reason, we are often told, that the effort to learn how to build, and then use, workable budgets is just too much. They seem to feel it's more frustrating than just hoping the numbers will all work out, if they only sell enough widgets or services or whatever.

I won't quote business failure rates among companies in this size range, nor the steady stream of survey findings that say lack of good management practices is usually to blame when a company falls short of its potential. Instead I thought it would be more productive to provide some practical tips that will make that first budget easier.

Our premise: Profit planning, or budgeting, is the most effective single tool to consistently meet profit targets and avoid costly surprises. If you can't accept this or at least consider it, no need to read further.

Our target reader: The CEO who has at last decided it's time to begin controlling the bottom line with some of the same tools they use to control the top line.

Here are my 8 tips for your consideration, taken from one of my workshops:

1. A budget is not the forecast you put together on the weekend to impress your banker. It must be the result of coordinated input and effort by you and your top management team.
2. Regardless of how tough it may seem up front to estimate the future, you will get closer with practice, and be better able to manage the results if you actively use a budget.
3. Any business can be budgeted. The only question is how much practice it takes to strike a balance between time invested and forecasting accuracy.
4. Use a Gantt chart to track the timeline for the budget preparation process. As with any project management tool, it will tell you if you've scheduled too much to be completed in too short a time, given other business activities that also require your team's participation.
5. Accurately predicting actual results is not the objective. Giving your company a direction to use for course corrections, at the level where it matters, is what it's all about.
6. You have a set amount of resources available to you. If you must spend money for something you didn't budget, then decide what budgeted expense can be removed to "finance" the new item. Without that discipline, you will almost always overspend, because there are always good reasons to spend money. They don't always produce more profit, however.

7. Every budget should have profit targets and cash flow targets, because they're different, they're equally important, and they require different kinds of attention to prevent unpleasant surprises.
8. With budget comparisons in hand, ask your team these questions every month:
   - How are we doing compared to budget?
   - What must we do to have a better result next month?
   - What are we learning that will make next year's budget better?

Want a fuller coverage of this topic? Go to my on-demand webinar at Proformative: www.proformative.com/courses/corporate-budgeting-best-practices-training-course.

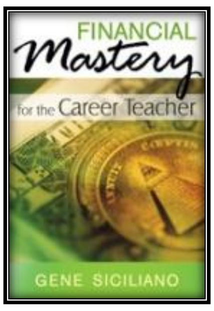
There you go! You're on your way to setting meaningful profit goals and actually meeting them! How sweet is that? Have a great year!

Contact me for more information.

Gene Siciliano, ***Your CFO for Rent®***

Finance for Non-financial Managers, 2nd Edition, McGraw-Hill 2014, covers 14 key topics in the increasingly demanding world of business finance. This new and significantly expanded revision includes a wealth of new material, following on the heels of the best selling original. Because managers can no longer afford to be non-financial.

Gene brings his extensive financial management acumen and plain language writing style to the world of personal finance with ***Financial Mastery for the Career Teacher,*** Corwin Press 2010. Written at the urging of an educational publisher, the guidance and strategies in this book will work for professional people well beyond the education industry.



Gene Siciliano is the founder and president of Western Management Associates, source of *Your CFO for Rent ®* services for over 25 years. The firm provides interim and part-time CFO/Controller services, executive coaching and guidance in operational finance and exit strategy. Gene and his team of seasoned CFOs and controllers have a clear mission in their work with CEOs and owner/operators of privately owned companies. Our value proposition:

- Increase the company's net worth and profitability by improving the management team's financial proficiency and bottom line results, and
- Develop and execute strategies that will make your company more appealing to a buyer or investor, if and when the time comes for an ownership transition.

5777 West Century Blvd, Ste 1220 • Los Angeles, CA 90045 • 888-788-6534 • 310-645-1091 • info@CFOforRent.com • http://www.cfoforrent.com