



Creating a Budget

“Enterprises are paid to create wealth, not control costs.”--Peter F. Drucker

With 2012 coming to a close, comes our responsibility to reassess our **strategic plans**, the plans on which we rely to guide our businesses, careers or even personal lives. Creating budgets is key for achieving this. Although elaborate and time-consuming, creating budgets can be very exciting because it signifies fresh new beginnings.

Here are 10 steps to help you create this year’s budget for your organization:

1. Identify the key plans and objectives for your organization.

Budgeting needs to come after your strategic planning because it has to reflect your strategy. For example, are you after sustaining current operation levels or aggressive growth?

2. Determine the limiting factors.

Identifying and addressing limiting factors cannot be stressed enough.

3. What is coming in?

Carefully assess WHAT kind of revenue is coming in and WHEN revenue is coming in.

4. What is going out?

Know your cost categories and organize your budget according to them.

5. Account your fixed and variable costs.

Work with your accounting department to help you identify all the fixed and variable costs you typically incur and factor them in your planning.

6. Choose a budgeting technique.

You can choose last year’s budgets as a starting point or you can start from scratch. Under the first scenario, apart from adjusting for inflation, you can look at the variance between the planned and actual figures in order to get more accurate numbers. If things have changed and your strategic plan looks much different than last year’s, start with a budget from scratch.

7. Gather information.

Creating budgets should not be an isolated process. Involve your team and seek ways to improve your forecasting, as well as assess all internal and external factors that have an effect on your organization.

8. Ask questions.

Ask often and ask the right questions.

9. Draw up the budget.

Keep notes of how you came to your numbers. Although this may be obvious at the time of setting up the budget, it will provide useful down the road. Also, setting up contingencies is key.

10. Build in budget control.

Set ways to track expenditures against the budget, whether that be on a daily, weekly or monthly basis.

11. Present the budget.

Presenting the budget can be a pleasant team meeting, but do not try to impress your audience. Be realistic and thorough in your forecasts.

IPS Recommends...

- To leave yourself enough time.
- To be realistic with your projections and to be careful about overly optimistic forecasting.
- To determine between starting a budget from scratch and using last year’s budget as a starting point for your forecasting.
- To involve others in building the budget.
- To assess the environment carefully and thoroughly.
- To develop categories and headings that work well for anyone involved in reviewing the budget.
- To be aware of fixed and variable costs.



Strategic Planning

Conventional wisdom reflected through axioms such as “If it ain’t broke, don’t fix it” may work well for some aspects of your business, but not for your strategy. Strategic planning is a dynamic process which involves minute-to-minute awareness of our surroundings and an ability to move fast, while remaining stable. Because we are starting the month of strategic planning, we have compiled a list of questions to ask yourself about your strategy for 2013:

1. What business are you in?

Know which business you are in. Know your competition well and know your market even better.

2. What other businesses are you in?

Try to see your organization through a wide lens—in which other businesses are you involved or have the potential to get involved? Expanding your service or product is an excellent opportunity on which you can capitalize.

3. What are your core competencies?

Your core competencies are what makes you different in the market. These are the activities that make your product or service unique and allow you to grow. Unlike activities you outsource,

core competencies are things you can perform better than others could on your behalf, and are much more than mere strengths.

4. What are your core values?

Know what values you stand for. Are you oriented towards operational excellence at the expense of minimizing customer service expenditures? Or do you value investing in customer relationships in order to gain long-term, passive growth?

5. Which, if any, competitor will be your next partner?

Your competitors can become allies if you ever consider strategic partnerships.

6. Are your short-term goals and long-term strategies aligned?

In order to maximize shareholders’ capital, most organizations adopt a quarter-to-quarter mentality. Look beyond the quarter to align your short term visions with you long-term profitability goals.

Good strategy means asking the right questions and asking them often. Know your business model assumptions, be thorough and keep your strategy under constant scrutiny.

IPS
ACCELERATING THE WAY YOUR BUSINESS GETS PAID.

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- Online Banking
- Cheque By Mail

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