

What kind of budgeting process do you have for your business?



CAPITAL IDEAS

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Capital Ideas members were asked how they budget for their business. Here's what members of our community of Calgary business owners helping business owners had to say:

“As a young entrepreneur with big ideas, it is hard not to want it all. For us, we have learned to pace ourselves. In the beginning, I went big and wanted to be the best so I thought I needed to have the best equipment. That was expensive and unnecessary. Now, with each course or contract we sign, I re-evaluate my goals and spending habits.

With every payment I receive, I ensure to put away 30 per cent to prepare for the dreaded tax season us small business owners have grown to hate. I really like utilizing Google Drive and, this year, I am trying to utilize FreshBooks because I can add expenses and invoices on the go. Staying organized is crucial for budgeting because money can really get away from you if you aren't paying close attention.”


— *Jessica Steffens, owner of [To The Beat Safety Training](http://safetytothebeat.com)*
(<http://safetytothebeat.com>)



Jessica Steffens, owner of To The Beat Safety Training. *SUPPLIED*

“We implemented project costing to keep track of development and delivery of programs to ensure we are watching our costs and time and stay on track. Our fixed costs are relatively low, and most expenses are passed through to our clients as they are incurred. Our strategy has been to ensure fixed costs are kept to a minimum for two reasons. First, fluctuations in the economy can kill a business when fixed costs are too high. Secondly, our clients do not pay for expensive unnecessary ‘extras’ such as a state-of-the art training room, since most clients have their own facility to hold training or can easily rent a venue. We also work with experienced contractors who are only paid when they are providing services, so we are not tied down with salaries and benefits. Not being tied down to fixed costs enables us to provide the best value to our clients.”

— Merrian Lemmex, managing partner, operations at Lemmex Williams Training Inc. (<http://lemmexwilliams.com>)

 ***“Our focus is on making more money than we spend. (Drops the mic.)”***

— Michael Tighe, managing partner at Solid Site (<http://asolidsite.com>)

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“In agriculture, as in many manufacturing businesses, we put a lot of cash into the ground in May, then rely on Mother Nature before we see the first dollars being returned in September. We pay a lot of attention to cash flow planning in our budgeting process. In the off season, we work closely with our financial partners, watch the global market prices and carefully plan our capital expenditures. We consult with local agronomy experts making decisions throughout the growing season that balance additional input costs with probability for better crop grades at harvest. Updates to budgets happen monthly. And, of course, we mitigate our downside risk with crop insurance. Managing our capital budget is equally as important

as our operational one.”

— *Laura Bechard, business coach at Bexco Business & Executive Coaching (<http://linkedin.com/in/laurabechard>)*



Shawn Freeman, president and CEO at TWT.

SUPPLIED

“Our budgeting process is to look at recurring projected revenue and compare to historical fixed expenses and see what our break even is. We use a tool called Fathom to see where our financial performance stands. Frankly we don’t use traditional budgets, but we will grow up one day.”

— *Shawn Freeman, president and CEO at TWT (<http://twtgroup.ca>)*

“Instead of creating and reinventing strategy only when budgets are due, we strategize daily.”

— *Kris Hans, strategist at Market Grade (<http://marketgrade.com>)*

“Budgets are a great way to support planning. I create one for my year and then review every month versus actuals. This way I get better at understanding what needs to change and whether my assumptions for the year have been correct. When you don’t have a budget, you only can plan based on the money that is in your bank account and that can be very short-sighted for your business.”

— *Ave Peetri, coach/director at Confident Marketing Coach (<http://confidentmarketingcoach.com>)*

“We keep it extremely simple. First, recognizing what we achieved in the previous year, we look at the revenues we want to achieve in the coming year. We then reverse engineer how many sales it will require in each of the five solutions we provide. Then it’s time to get to work. While we execute, month over month, we compare budget numbers with actuals, so we know where we need to make changes. We watch the

relevant numbers religiously — specifically what our costs, expenses and net are as a percentage of revenue. In the end, it comes down to Karl Pearson’s Law: “That which is measured improves. That which is measured and reported improves exponentially.” After all, you can’t improve what you don’t measure!”

— *Vince Fowler, Head Coach at [Vested Interest Group](http://vestedinterestgroup.com)*
(<http://vestedinterestgroup.com>)

The above answers are in response to a question posed by Randall McRae, partner at [McRally Accountants & Advisors](http://mcrally.ca/). Here’s his take:

“**The key to an** accurate and useful budget is to build it from the ground up using the key drivers for your business. In a retail store, this would be the number of customers. In order to budget, analyze how many customers the store had in the previous year and the average sale per customer. Going down to that base level allows you to factor in reasonable growth and possible savings in costs and overhead expenses.

Basing a budget off of detailed and factual information and estimates provides numbers you can use for the entire year to evaluate your actual results. Making up numbers on the fly will result in a poor budget. It’s easy to excuse variances as the result of a poorly done budget and you may overlook critical changes in your business as a result.”



Randall McRae, partner at McRally Accountants & Advisors. *SUPPLIED*

Get Involved!

Answer our next question: **What kind of budgeting process do you have for your business?**



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