

# Guide

## 7 tips to improve your budgeting process

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InfoSuite





## How to get improved budgets

Budgets are a central management tool in many companies, but just as important the budgets may be, just as troublesome it may be to create them.

You may be familiar with the increased busyness of the annual budgeting process. Not only resource demanding, but the classic budgeting process is also characterised by significant weaknesses. Weaknesses often occur due to lack of close connection between the company's strategic plans and the planning process.

Furthermore, many companies operate with outdated budgets, as significant prerequisites change during the budget year – and sometimes even before it starts.

This guide shows you how to optimise the entire budgeting process and make it less demanding. On top of that your budgets become more accurate and valuable.

**7 tips** to an improved budgeting process that shows how to save time, reduce frustration, and increase the value of your budget

1. Go through the level of detail and the form of your budget
2. Establish and communicate a time schedule
3. Maintain focus on the process and goals instead of numbers
4. Analyse and understand your history
5. Find the right budgeting tool to support your requirements
6. Extend your annual budgeting - use forecasts
7. Enhance the correlation between the individual budgets

# 1 Go through the level of detail and the form of your budget

As part of the budget process planning, more opening issues must be considered prior to each budget round.

You must decide who to involve in the budgeting process, and the authority of the parties involved. You should have a clear definition of processes and responsibility before starting the budget planning.

Likewise, the budgeting and detail level of the budget must be established, based on company requirements.

If a higher level of detail in budgets is required, it should be supported by the selected budget tool; otherwise, you may lose perspective.

You must also determine whether to run 'bottom-up' budgeting, where you make a total budget based on decentralised budget assessment, or 'top-down' budgeting, where you make an overall budget which is distributed downwards. Alternatively, you can combine the two approaches.

You should reach for a common understanding about the accepted/tolerated level of uncertainty in your budget.

Agree on how large risks you are willing to accept, in terms of both expected income and expenditure. This will affect the time each employee needs for budgeting.



InfoSuite facilitates decentralised budgeting by efficient user control, clever help functions during entry, as well as automatic consolidation.

# 2 Decide on and communicate a time schedule

Most companies operate with an annual budget as a minimum. Once you have decided whom to involve and the level of detail for your budget, you should decide on the time horizon for the budgeting process.

Based on the deadline for the budget approval, you can plan backwards and decide on deadlines for the most essential milestones of the budgeting process.

When making a time schedule, it is important to consider – and include time for – evaluations and discussions.

We recommend that you aim for a short and intense budgeting process, focusing on finishing this task.

The longer the time horizon for the budgeting, the more confused it often gets. Nevertheless, people tend to wait until the last minute before budgeting.

Often various sub-budgets or departmental budgets must be completed before the overall budget can be finished. This should also be included in the time schedule.



*"The biggest advantage of InfoSuite is that we experience significantly faster budgeting processes. We spend fewer manual hours budgeting. We also see substantial advantages through simulations, where we link actual purchases to our budget. That allows us to see deviations on either shop, supplier, or item group level and thereby identify any deviation."*

*Mark Jensen, Business Developer at PWT Group*

## 3 Stay focused on process and goals instead of numbers

Conversations and superior calculations characterise the next part of the process, which is also the core of the entire budgeting process – defining your goals.

Defining your goals is almost more important than the final budget, as you during this process discuss the company strategies and plans and convert these into organisational financial goals.

This takes us back to the time schedule; at the beginning of the budgeting process, time should be devoted for discussing the goals of the future period, also without quantifying at this point.

By devoting time for this discussion, you also imply that the budgeting process is not just about making a financial budget; it is also about clarifying the right goals for the company.

To increase focus on processes and goals, the activities planned to achieve the budgets must be described thoroughly.

If the budget is not supported by explicit comments, it will soon be just numbers and amounts without context.

Explicit budget comments are valuable both during the year, where you successfully assess whether you are on track with the budget, and when making the budget for the next year.

Documenting your decisions can be made in several ways, but it will be an advantage for you to include explaining comments directly in your budget, providing for a clear link between the entered budget figures and the considerations behind.



InfoSuite includes smart note functions that allow you to link comments and underlying calculations to the entered budgets. The general understanding of the thoughts behind the budgets afterwards will also be improved.

## 4 Analyse and understand your history

Even though you should not dwell on the past, looking back is an inevitable part of the budgeting process.

By spending time analysing and understanding your history and finding explanations to deviations, you get a solid foundation for the future perspective.

Analysing your business data will contribute to the detection of tendencies that may affect your business over the next period.

Integration of the history as budget proposal when entering budgets is a great advantage.

It gives you an overall view and makes it easier for the individual to prepare the budget.

However, you must be careful not to get worked up by the budget proposals; just adjust these up or down when budgeting.

Your strategy and goals should primarily be what controls your budgeting – not last year's figures.



*"One of the time-saving functions in InfoSuite is the allocation based on historic data, such as last year's turnover. This process is totally automatic, and items can be adjusted afterwards, if necessary. The historic allocation is made down to item number, which provides us with an extremely detailed, yet a very quick and easy budgeting process."*

*Henrik Buur Nielsen, CFO at Tytex*

## 5 Find the right tool to support your needs

Once the tasks and responsibilities have been placed, it is time to enter the budgets – and in this phase the right tool is essential to succeed. The budgeting tool should provide flexibility and control during the entire process, which is why spreadsheets may not be the best solution.

When deciding on a budget solution, you should consider your need for control, ownership, functions and rules of calculation, opportunities to use budget proposals, automation, and not least consolidation.

Keep the setup user friendly and simple, use familiar terms, and make it clear to the involved parties how their budget area impacts the total budget.

Many companies use spreadsheets for budgeting, mainly because it is the easiest and quickest solution.

But spreadsheets often tend to grow to a disproportionate size as business evolves.

Also, spreadsheets typically include errors occurring when spreadsheets grow as budgets expand. Studies show that up to 60 per cent of the spreadsheets used hold errors that have occurred over time.

Furthermore, the consolidation of the various budgets is a large burden in spreadsheets, and it increases the risk of errors in the budgets.

Whether you work with spreadsheets or dedicated budgeting solutions, it is important that the involved employees are not hindered by unnecessary errors and confusing budget sheets when entering the budgets.



Click here to see whether your company would benefit from a dedicated budgeting tool.

## 6 Expand your annual budgets - use forecasts

The value of the annual budgeting is now being reconsidered in many companies – especially as the budgets laid down quickly become obsolete.

Above all, that leads to bad decision-making. But it also means that you will miss pursuing the opportunities arising over the year. More companies also feel the need to disposition resources earlier, for a longer period, and for larger amounts in their supply chain than earlier. To cope with some of these challenges, it may be beneficial to create forecasts.

There are several levels and types of forecasts. The forecasts that typically intervene mostly with day-to-day business are the periodic sales forecasts which are used for operation planning and product procurement. The advantage of working with sales forecasts is that you can disposition even before the actual customer driven need arises.

Disposition and the underlying processes can provide the individual forecasts with a number of purposes, such as generate capacity plans and determine stock sizes. Many companies tend to make separate, local forecasts for each department.

This may be problematic, as you risk that the different department forecasts contradict what other departments use. The longer the time horizons you need to disposition for, the higher the precision is required from your forecasts.

In that case you may need more forecasts with different time horizons for the same product, which also increases the need for coordination.



*"InfoSuite's budgeting solution was adapted to the weekly production planning. The advantages are already significant. Most important is that the right employees see the right data, and that is guaranteed by InfoSuite. Earlier, we extracted data for the individual reports. Now, it is accessible to the relevant employees in the entire organisation. This also means that we can utilise the production capacity much better."*

*Anders Bloch, IT Manager at Haribo*

# 7 Enhance consistency among individual budgets

A company is a consistent organism. Sales forecasts are closely related to the production plan, which is related to the procurement plan – and all affect the contribution margin and cashflow.

It goes without saying that it will be advantageous to build the entire company planning and successive follow-up process on consistent processes.

Financial budgets should be created as a direct consequence of the operational budgets and plans.

It is, however, a fact that the operating budget and the financial budget often are two independent budgets and therefore not closely aligned against each other. It creates insecurity about the quality and generates lots of manual work.

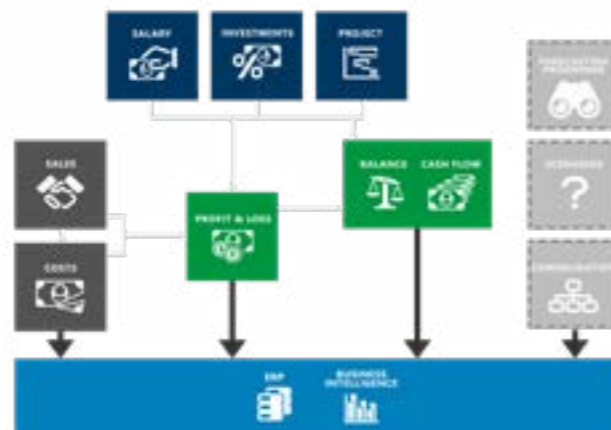
With a more integrated type of budgeting, you can improve the budgeting process. At the same time, it becomes easier to obtain actual value from the budgets.

The profit budget is often considered the overall budget where data from the sub-budgets from operation, balance sheet, and cash flow are connected – for example through the chart of accounts, as this is often the basis for the total budget.

By setting up automatism that create a connection between these different budgets – and thereby feed the individual budgets with data – you save resources and create a more dynamic and fruitful budget.

Hereby, the entire value of the budget is supported as a central tool that branches to all parts of the business.

Below you can see a simple visualisation of how the budgets in your company can be merged through underlying processes and automatism.



## Dump the budget spreadsheets in favor of a dedicated budgeting solution

InfoSuite lets you do the budgeting in a completely new way – without using large and complex spreadsheets. Budgeting becomes much easier and much faster.

Budget entry can be decentralised for the budget administrators, and the consolidation of the entered budgets is completely automatic. Immediately after entering budgets, they can be applied in your analyses.

InfoSuite makes it easier for you to integrate your different budget areas, just as it becomes much easier to work with forecasting, rolling budgets, prognoses, performance goals, and much more.

### More than just a software

At InfoSuite we are more than just software developers. We are also business consultants. We believe that you will gain more value from your budgeting solution when both tool and knowledge are gathered with one partner.

We have a team of consultants who help our customers make the most of InfoSuite. We solve systemic challenges, set up customized budget models, and advice managers in how to drag the data basis to the strategic planning of the business.

This means that we can help you a great deal. And the best part is that our services are included in the InfoSuite package.

[Learn more here](#)

# InfoSuite

Easy budgeting  
and data driven planning

## InfoSuite

### Get in touch

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