

Get your 2016/2017 business budget on track

Effective budget planning and execution provides a much needed framework which allows for more informed decisions and, as a result, improved growth for small and medium enterprises (SMEs).



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“It is hard to put a value onto a well-prepared and well-designed budget,” says Rashied Small - education, training and membership executive at the South African Institute of Professional Accountants (SAIPA). “It provides insight into business processes, how these align with business goals and the best direction to take within the financial constraints of the company.”

Small provides three ways for SMEs to make sure their 2016/2017 budget is heading in the right direction.

Plan and evaluate

The planning of a budget must be taken seriously; it needs to have focused time set aside in order to prepare it effectively. Use the time to evaluate the performance metrics of the previous budget periods along with the current business environment. This will go a long way towards assessing the budget against the business goals and ensuring that they remain aligned, or using it as an opportunity to adjust elements where necessary.

“Beware of focusing exclusively on the outcomes of the budget,” warns Small. “Spend time on its preparation so it can give improved insight into the business, its operations and management effectiveness.”

Monitor and measure

Any budget is a living document. It needs to adapt and shift and provide valuable insight as time goes on and situations change. The SME should include milestones into the budget along with a reliable monitoring and evaluation process. These tools can then be used to validate the assumptions and provide indications and directions for adjustments and amendments whenever they are needed.

“The value of budgeting lies in continuous and regular monitoring, and this should not only be an end result or a punitive function,” adds Small. “The quote ‘budgets should not be cast in stone’, is often one which is ignored by owners and managers, but few realise that not achieving the budget isn’t a failure. Monitoring and evaluation serve the purpose of

information gathering so that corrective action can be taken when there are changes in the environment.”

Allocate responsibility

If there are staff who are directly responsible for certain activities, then it is a good idea to allocate them budgetary responsibility. This will encourage a system which is more participatory than top heavy and inspires buy-in from employees as it acknowledges their expertise and involvement.

“Allocating budgetary responsibility will result in greater accountability while stimulating innovation and cost-saving methodologies which are critical to the success of the modern business,” concludes Small.

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