EBOOK

Best Practices for Preparing Budgets and Forecasts

Unanet™

INTRODUCTION

It sometimes feels like the planning cycle is endless. Budget and forecast preparation touches more people and causes more stress than almost any other business process.

Before we move forward, let's define the difference between budget and forecast. The best practices apply to both activities.

Budget - The financial guide of a business made of dollarized goals that the business agrees it is going to meet.

Forecast - Prediction of the future that imparts real-time conditions as well as management judgment and is compared to the budget (variance).

1

FORM A COORDINATION TEAM

No one activity affects more of the organization than budgeting and forecasting cycles. So, coordination is KEY. Make this team responsible for coordination and communication to all stakeholders across the business. Once you have your team, align budget expectations with corporate goals, provide a timeline for budgeting cycle, and prepare reviews for appropriate levels.

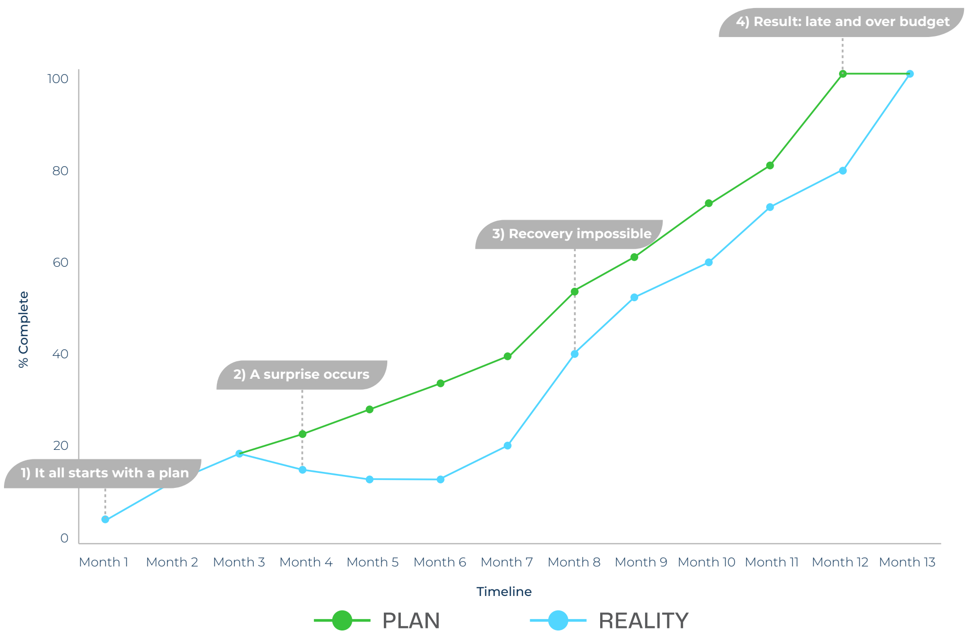
- Customer
- Project Managers
- Subcontractors
- Functional Managers
- Control Account Managers
- Work Package Managers
- Financial Analysts
- PMO
- Resource Managers
- Business Development
- Contract Managers
- Sales
- Human Resources
- Capture

2

The Budgeting Process Affects the Entire Organization!

PREPARE A COMMUNICATION PLAN

Communicate this plan just like you would for any enterprise news you want to share. Everyone in the organization should understand how the budget affects their jobs and activities. They should also know how they are performing to the budget and be able to course correct if needed.



Make sure you communicate before your project has an unrecoverable overrun like depicted above.

3

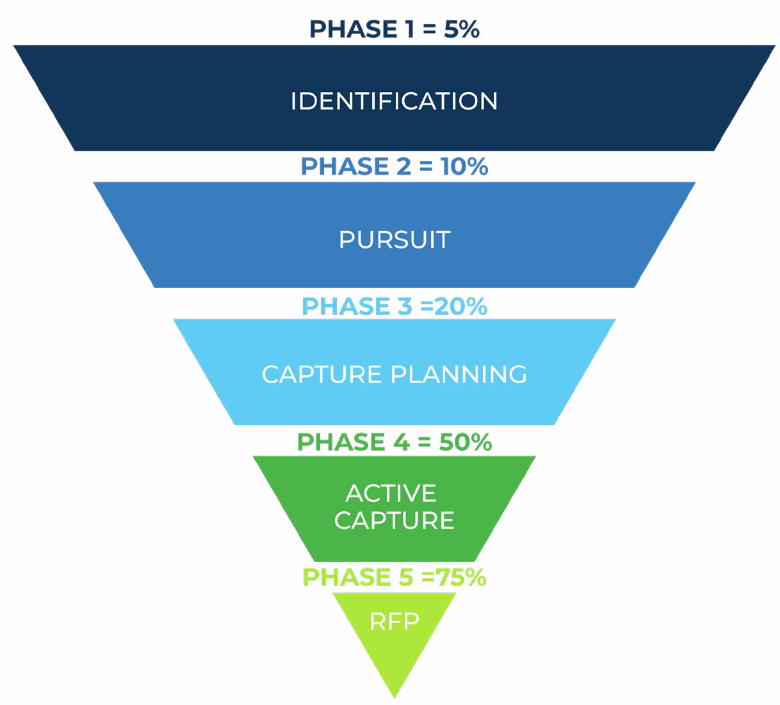
USE THE PIPELINE FORECAST AS A BAROMETER FOR REVENUE

Start by clearly defining what revenue is secured, what is proposed, and what remains uncertain. Probability of Win (PWin) estimates your likelihood of beating the competition, while Probability of Award (POA) measures whether the deal will result in an award at all. Used together, they sharpen bid discipline and protect forecast realism. Layer in historical win rates and model scenarios using expected value. Upmarket growth depends on math, not optimism.

Pwin: Probability that your company will with the business based on discriminators, competition, or other factors.

Pgo: Probability that the customer will fund the project

Pwin x Pgo = Probablity of Award (POA)



4

ESTIMATE DIRECT COSTS TO INCLUDE LABOR, MATERIAL, TRAVEL, AND OTHER DIRECT COSTS (ODC)

You already know your current labor base, so that is easy. Check with HR to understand the hiring plan for the upcoming year and cross check that with the business development and project management teams. Estimate travel, ODC, and material costs based on history and project requirements.

5

ESTIMATE INDIRECT COSTS WITH THE SAME RIGOR OR MORE THAN YOU DO DIRECT COSTS.

There are so many variables with indirect costs. Document what is included in each major cost pool. For instance, make sure you reference the insurance contract when estimating employee health care expenses for fringe. Budget each expense by general ledger account and make sure you understand the timing of the expense. Rate impacts can and do cause major issues for a project.

6

LOOK AT PAST PERFORMANCE

Always use past performance as an indicator for the future. Take the time to plan your costing architecture so that finding past costs is simple and relatable. If the budgeting cycle assumptions are well documented year over year, it will be easy to understand what might be different in the new year.

7

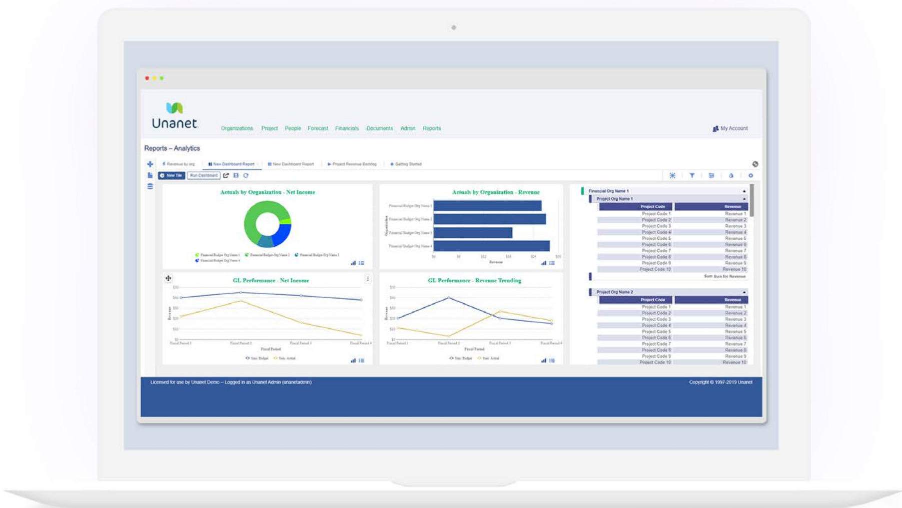
KEEP YOUR FEET FIRMLY PLANTED IN REALITY

Don't live in a dream world. If you understand reality, you can then make viable plans to mitigate realistic risks. Customers will appreciate the truth so that you can work together to find a solution. Bad news does not get better with age.

8

PICK THE RIGHT BUDGETING & FORECASTING TOOL

Having a centralized tool that lets all stakeholders participate in the process and see the progress all year long is key to getting your employees to own the budgets and forecasts. Say no to silo'd information that no one can see.



9

RECOGNIZE THAT THE BUDGET IS A LIVING AND BREATHING DOCUMENT

Conditions change and that is a reality of life. Make sure you have a process or set of rules for updating the budget and forecasts. You want this to be a strategic tool that reflects the position of the company, not an albatross that produces “false” variances that must be explained each month (totally a non-value exercise).

Transform Your Budget and Forecast Process with Unanet

Start every planning cycle off with a bang. If your business has struggled with your budget and forecast practices, Unanet's budgeting and forecasting software is designed to provide a single source of truth, reduce the time it takes to close the books, and streamline your business processes all in one system.

Ready to see the framework in action? Connect with a Unanet expert to explore how GovCon companies like yours are making confident, data-driven opportunity decisions in minutes, not hours.

Unanet™

More than 4,000 project-driven organizations depend on Unanet to turn their information into actionable insights, drive better decision-making, and accelerate business growth.

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