

Budgeting and Forecasting

A Practical Guide for Business Owners Who'd Rather Not

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I know. Budgeting sounds about as fun as a root canal. You didn't start a business to spend your time building spreadsheets. You started it to build something, make money, and actually enjoy running it.

But here's the thing I've learned working with hundreds of business owners: the ones who skip budgeting and forecasting aren't flying free. They're flying blind. They're the ones who are surprised by cash shortfalls, surprised by how much they spent, surprised that they can't make payroll, and surprised when they have no idea whether they're actually profitable.

The ones who take budgeting seriously? They sleep better. They make better decisions. They know what's coming six months out. And they spend a lot less time in crisis mode.

The good news: you don't need a Harvard MBA or a 400-page budget document. You need practical tools and a process that actually works for your business. Let me show you what that looks like.

What Budget Do You Actually Need?

A budget isn't one thing. It's four things working together:

1. Revenue Planning

How much money will actually come in? This isn't guessing. It's based on your sales pipeline, historical patterns, market trends, and growth targets. If you sell products, it's units times price. If you sell services, it's billable hours times your rate, adjusted for utilization. The key is being honest about what's realistic.

2. Expense Management

What will you actually spend? Fixed costs (rent, insurance, salaries) are predictable. Variable costs (materials, commissions, shipping) scale with revenue. Allocate everything. Too many business owners have no idea how much they spend on different things—they just know money goes out. A good budget breaks this down so you can see where it's going and, more importantly, where you can control it.

3. Capital Expenditure Planning

When will you need to invest in equipment, software, facilities, or infrastructure? This isn't an expense—it's an asset. But it hits your cash flow hard when it happens. If you're planning to buy a truck, upgrade your facility, or invest in new systems, budget for it. Don't let it surprise you.

4. Contingency Planning

Something will go wrong. Maybe not this month. But sometime this year, you'll face an unexpected cost, a customer will delay payment, or a piece of equipment will fail. Smart businesses build in contingency. I usually recommend 5-10% cushion depending on how stable your business is. This isn't being pessimistic. It's being realistic.

How to Actually Create a Budget

The process is simpler than you think, but it requires buy-in from your team.

Step 1: Gather Your Historical Data

Pull last year's financials. Look at the actual numbers. What was your revenue by month? By product line or service type? What did you spend on different categories? If you don't have this data, pull your last three months of bank statements and go line-by-line. You need reality, not your best guess.

Step 2: Understand What Actually Drives Your Revenue

Is it number of customers? Volume of sales? Seasonality? Price increases? Talk to your sales team. What's in the pipeline for the next year? What's realistic given market conditions? Build your revenue forecast from these drivers, not just "let's grow 10% like we always do."

Step 3: Involve Your Team

Your operations manager knows what things will cost. Your sales team knows what they can realistically sell. Your project managers know where labor will be tight. Get them in a room (virtually or in-person) and build the budget together. When people have a say in the numbers, they actually care about hitting them. When you hand them a budget from on high, they ignore it.

Step 4: Build the Budget Month by Month

Don't just look at the annual number. Build it month by month. Because your business isn't the same every month. You have seasonality, you have lumpy spending, you have timing issues. A budget that only shows the annual total hides all of that. Month-by-month planning shows you when you'll be tight on cash and when you'll have breathing room.

Forecasting: The Tool That Actually Saves Your Business

Here's where budgeting becomes truly useful: forecasting. A budget is a plan. A forecast is a warning system.

The budget says "we're planning to spend \$50,000 on materials this month." The forecast says "look at our actual spending last week, our orders in-hand, and our commitments—we're likely to spend \$62,000. That's a problem."

You need two forecasts: one short-term and one long-term.

The 13-Week Rolling Cash Flow Forecast

This is the most important tool I use with business owners. Here's what it does:

You track cash in and cash out *weekly* for the next 13 weeks. You look at exactly when cash hits your account and exactly when it goes out. You factor in customer payment patterns. You account for payroll on specific dates. You see when you're tight.

Why weekly? Because monthly is too late. If you're going to run out of cash, you need to know it with enough time to react. Maybe you accelerate collections. Maybe you negotiate terms with a supplier. Maybe you hold off on a non-essential purchase. But you can't do any of that if you find out on the 27th that you're short on the 30th.

Here's a real example: I worked with a manufacturing company that looked healthy on the surface. Revenue was growing. Margins were good. But the owner was constantly stressed about cash. We built a 13-week rolling forecast and immediately saw the problem. Their biggest customer paid on 45-day terms. They were paying their suppliers on 30-day terms. So every month they were behind by about 15 days of operating expenses. The revenue was real. The profit was real. But the cash flow was underwater.

Once we could see it in the forecast, we had options. We negotiated better terms with a couple of suppliers. We set up a relationship with a line of credit for the gap. We offered the customer a small discount for early payment. Now the owner isn't stressed because he can see it coming.

That's the power of the 13-week forecast. It's tactical. It's actionable. It tells you what's happening now and what's coming.

The 12-Month Rolling Forecast

While the 13-week forecast is your early warning system, you also need a longer view. The 12-month rolling forecast (monthly periods) shows you the bigger picture.

It identifies seasonal patterns. It shows you if you have a cash crunch in quarter three and plenty of cash in quarter four. It helps you plan for those big capital expenditures we talked about. It shows you which months you can afford to invest in marketing or training and which months you need to preserve cash.

More importantly, you update both forecasts every week. You look at what actually happened versus what you forecast. If reality is different, you update next week's forecast. This isn't about rigid planning. It's about staying connected to reality and adjusting as you go.

Making Forecasts Actually Accurate

A forecast is only useful if it's reasonably accurate. Here's how to build forecasts that don't disappoint you:

Use historical data. What actually happened last year? The month before? That's your baseline. Yes, things change. Yes, you're planning to grow. But start from reality.

Combine numbers with conversation. Your accounting data tells you what happened. Your team tells you what's coming. Your sales team knows about deals in progress. Your ops team knows about unusual expenses coming. Mix quantitative data (the numbers) with qualitative data (what people know) to get forecasts that actually reflect the future.

Account for your payment timing. Cash in and cash out don't happen on the same day. Your customers take 30 days to pay. Your payroll runs on Thursday. Your rent is due on the first. Your supplies are paid on delivery. Every single one of those timing differences matters in your 13-week forecast.

Use your tools properly. Build your forecasts in the same system as your actual numbers so you can compare them. That lets you track accuracy over time. After a few months, you'll see where you're usually off. Maybe you always underestimate materials. Maybe you always collect faster than you think. Once you see the pattern, you can adjust.

Tools and Metrics That Matter

You don't need a fancy system. You need a process. Here's what I recommend:

A budget template in Excel or your accounting software. Build it month-by-month, include all four components (revenue, expenses, capital, contingency). Link it to your actual spending so you can see variance.

A 13-week rolling forecast. Weekly detail on cash in and cash out. Update it every week. It takes about 30 minutes to update if you're connected to your accounting data.

Key Performance Indicators that matter to your business. Don't track 47 metrics. Track the five that actually tell you if you're on track. For a product business, maybe it's gross margin, inventory turns, and days sales outstanding. For a service business, maybe it's utilization rate, average project margin, and collection days. The right KPIs show you whether you're meeting your budget goals and whether your business is healthy.

Monthly variance reports. Every month, compare actual to budget. Where are you off? By how much? Is it permanent or temporary? This isn't about blaming people. It's about understanding your business and adjusting.

A Real Example: What This Looks Like in Practice

I worked with a business owner we'll call Sarah. She ran a professional services firm. Revenue was solid, but she was constantly stressed about cash. She couldn't confidently make payroll. She turned down opportunities because she didn't have cash to cover them. And she had no idea why.

We sat down and built a 13-week rolling forecast. Immediately, we found the problem: her biggest client paid net-60 terms. She was billing them \$80,000 a month, but the cash didn't arrive for two months. Meanwhile, she had payroll and expenses happening every week. The math was simple: she was always 60 days behind.

The solution wasn't complicated. We negotiated a better payment arrangement with the client (they agreed to net-30 for a small discount). We restructured her debt payments to align better with her cash cycles—reducing her monthly debt service by 40%. We set up a small line of credit for the remaining timing gaps.

The business didn't change. The profits didn't change. But suddenly, she had visibility into her cash. She knew what was coming. She could make payroll confidently. And she could actually focus on growing the business instead of surviving it.

That's what budgeting and forecasting do when you do them right. They let you run your business instead of being run by it.

The Bottom Line

Budgeting and forecasting aren't about corporate tedium or building perfect plans. They're about staying in control of your business. They're about knowing what's coming and being able to react before a problem becomes a crisis.

You don't need a 50-page document or a dedicated budget analyst. You need a simple process: understand what drives your business, plan for the next 12 months, and forecast the next 13 weeks in detail. Update weekly. Compare to reality. Adjust.

The time you spend on this—maybe 4-6 hours a month once you have it set up—will save you from dozens of smaller fires. And it will let you sleep at night knowing what's actually coming.

That's worth the effort. I promise.

If you're not sure what your next 13 weeks look like, that's worth a conversation.

Related Resources

Ready to build a budget that actually works for your business? — I'm happy to help you set up the right process.

This article is for general informational purposes and does not constitute legal, tax, or financial advice. Consult with qualified professionals before making decisions based on this content.

If you'd rather know than guess about your financials, let's have a conversation. A conversation costs nothing. Clarity might be worth everything.

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