Smarter, Faster, More Accurate Budgeting:

A Prophix Guide

Introduction

There's a lot that goes into creating a stellar company budget — consulting with colleagues, analyzing historical data, estimating future performance, and months and months of valuable time. For many organizations, budgeting remains a time-consuming, manual process. What's worse, basic budgeting can fail to surface opportunities for growth and innovation. But it doesn't have to be this way.

A smarter budget process is automated, collaborative, and analytical.

It's as much about detailed analysis and intuitive projection as it is expenses and revenue. This guide will help you upgrade your budget process to better serve the interests of the whole organization.

Budgeting & Forecasting: What's the Difference?

What is Budgeting?

Budgeting is a process that business leaders use to outline what a company wants to achieve fiscally for an upcoming period. Through the budgeting process, management estimates revenues and expenses and expected cash flow, to create a detailed representation of how they will achieve their desired financial position.

Budgeting is often a once-a-year ordeal that can take up to three months. Budgets provide a fixed picture that actual company performance is compared against. Management uses the variations between projected and actual performance to identify business realignment opportunities and changes in compensation.

What is Forecasting?

Forecasting is a technique that uses historical data to estimate the actual future performance of a company, usually in a summarized format. Forecasts are updated quarterly or even monthly and are typically related to revenue and expenses but may also be used for business operations such as staffing, inventory, and production planning.

While historical performance informs forecasting, businesses don't do variance analysis between the forecast to actual results. Achieving a forecast is not a factor in performance-based compensation paid to employees.

Why do companies use both budgets and forecasts?

There's a little dream baked into every budget. While a budget outlines what management aspires to over a period of time, a forecast is a realistic snapshot that captures the organization's current trajectory.

A budget is a useful tool in establishing business plans and determining resource allocation but is usually too dated to have much day-to-day impact. Instead, it often becomes a guideline of how much to spend and by when. Most budgets are static and don't reflect market changes that occur during the year. Competitive threats or an economic downturn can nullify budget assumptions within a year – sometimes within a matter of months.

But if the budget were adjusted throughout the year, based on company circumstances – such as competitive threats or an economic downturn – it could be a more practical guide to the business's direction.
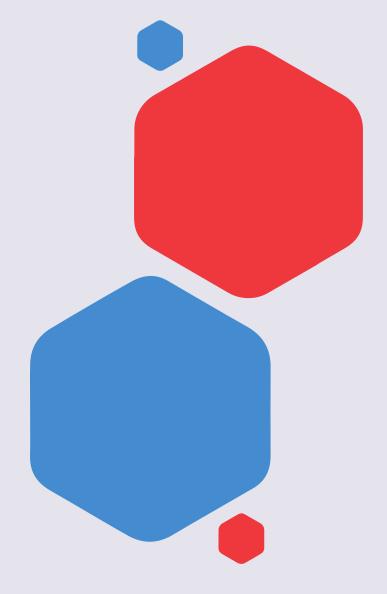
Continuous Budgeting: What and Why

Continuous budgeting means adding a new month to the end of a budget for every month that elapses. Continuous budgeting is advantageous because management continually evaluates the budget model and revises assumptions for each incremental month. If a company managed a continuous budget that went out 12 months, they would not need to undertake the arduous process of developing a whole new budget for each fiscal year.

With a continuous budget, employees can keep an eye on short-term and long-term business plans and allocations and adjust behaviors accordingly. For example, if department heads know they had allocated funds in the new fiscal year, it may reduce the flurry of spending that's typical toward year-end as people try to use up their budget.

Of course, constant rebudgeting can be a significant drain on human resources — especially if the budgeting process includes many employees. The good news is that automated budgeting can improve interdepartmental collaboration and data quality — all while mitigating company risks.

4 Steps to Better Business Budgeting

How many spreadsheets and technology platforms do you refer to when building your budgets? For most companies, it's a lot.

Prophix®

01. Create a single truth

CRM

Customer data, sales opportunities, and marketing campaign performance are locked up in your CRM. There are dozens of reports you could run. But wouldn't it be nice if there was a way to consolidate this information for the budgeting process?

ERP

An ERP may be your source of truth for finance, manufacturing, inventory and order data, but if it's not integrated with other business systems, uncovering actionable insights can be a painful, virtually impossible process.

Payroll

Employee salaries are one of the largest expenses for the organization. But too often, personnel planning is not tied in with other business systems. Imagine if it was easier to determine how personnel changes affect the business' finances and resource allocation.

How Prophix Helps

With integrated data and a streamlined process, budgeting can be simpler and more accurate. Our integrated budgeting solution makes a single source of truth possible. All relevant metrics are consolidated within a single budgeting application, reducing duplication and the possibility for errors. And because updates to the system automatically populate throughout, you'll always have the current information at your fingertips. [Find out more](#).

> " Finance departments should have a data repository that contains reliably accurate and up-to-date data. This repository should be able to handle financial and non-financial data because departments need both types to analyze and report on their company's performance. And, to ensure that data is accurate and up-to-date, it should avoid storing data in individual spreadsheets."

Robert D. Kugel
Senior VP - Research Director at Ventana Research

Spacesaver Corporation

Results

Since implementing Prophix, Spacesaver has automated their budgeting, forecasting, reporting, personal planning, and financial consolidation processes.

Spacesaver's financials used to be a mystery three days into their four-day close process. Now, their Finance team can have an informed discussion on their data on day two. By automating most of their financial processes, Spacesaver has significantly sped up their financial reporting, as well as improved the accuracy of their reports. With Prophix, Spacesaver was also able to use their Chart of Accounts to set out their data in a logical way. Previously, it took 40 hours to build their profit & loss statement (P&L).

With Prophix, they were able to generate their P&L in 45 minutes. Within Spacesaver's financial consolidation process, they can conduct currency conversion, quick consolidation analysis, accurate budget to actual comparisons at both the company and consolidated levels, as well as plans for dashboards and scorecards. Improved financial consolidation has also allowed their Office of Finance to improve their data analysis. Now, they can examine budget vs. actuals, product mix analysis, pricing discount analysis, profitability by market/product, labor, and inventory reporting/ analysis. In addition, their Finance team can analyze how much cost they should capitalize into their inventory. This report, which is now completely automated, used to take four hours to compile. Now, they can run it in five minutes, confident that the data in Prophix is entirely accurate.

Improved data analysis also lends itself directly to data-driven decision-making through 'what if' analysis, understanding the profitability of custom orders, pinpointing appropriate discounts, and project profit forecasting.

02. Collaborate with stakeholders

Collaboration is critical in the budgeting process for an accurate representation of the business requirements, challenges and objectives — and to get buy-in on what the company needs to do to achieve its business goals.

Communication Challenges

While collaborative or participative budgeting ensures the upward transfer of knowledge and employee engagement, the process can be convoluted and complex for everyone involved. It's hard to keep track of questions and feedback received through email, various business systems, and meetings.

Bottlenecks in the review process

The more people you involve in any process, the longer it takes — especially when one party is waiting on the other for feedback. If these negotiations are happening in person, it can take numerous meetings to come to a consensus.

How Prophix Helps

Promote departmental alignment and collaboration with a budgeting solution designed for cohesive planning across your organization. You can communicate directly from within the platform while using organizational and project management tools to streamline the process.

All employees can enter data and view feedback when, where and how they want, making it easier to achieve consensus. And because input is in one central location, tracking approvals is no longer a herculean task. [Find out more](#).

" **It is very helpful to have possible Excel templates for people who refuse change and are not into learning new software. [With Prophix], data is housed efficiently and it's easy to do ad hoc analysis. Prophix is very easy to use and it has a nice interface."**

Dan H.
Senior Financial Analyst, Moneris

03. Automate with intelligence

Creating a solid budget takes time, but when market shifts necessitate changes to the budget, time is a luxury that business leaders don't always have.

Forecasting Revenue

Business forecasts are guiding tools for your business, but they are so hard to get right. Data-driven predictions can help you develop accurate rolling forecasts with greater ease and reduce risks inherent to working in spreadsheets, such as incorrect formulas or missed values.

Predicting Staff Requirements

You need the right workforce to execute on business growth plans, but developing and finessing personnel plans is often tedious and time-consuming. Budgeting automation makes it easier to determine the staff you need to support business needs.

Planning for Risks

The market is continually changing, resulting in large fluctuations in cash flow, price changes, product line, capital allocation and staffing changes. Budgeting automation can help you quickly respond to every challenge with the most up-to-date data.

How Prophix Helps

Prophix solution uses intelligent automation and workflows to streamline menial aspects of the process, including the submission and review processes. Since people spend less time entering data, more time is available for analysis and other high-value activities that are rewarding rather than routine. [Find out more](#).

> " Using Prophix's software to automate the creation of our annual budget has been a real game-changer - and we have improved our forecasting, too. We also generate reports on-demand that compare actuals, budgets, projections, previous year data, and variances."

Ashley Naegle
Business Manager, Utah State University

Milo's

Results

Establishing a forecasting process and cadence was one of the top priorities of Milo's Prophix implementation. With FPM software, Milo's Tea can easily create flexible, accurate forecasts that empower their Finance team to make strategic business decisions based on real-time information.

Prophix seamlessly integrates with Milo's ERP, Sage X3. They import data hourly from their ERP, improving their visibility into the business. Milo's Tea imports units sold by product by customers, revenue by product by customer, operating expenses by GL account by site, and Cap Ex by project.

With Prophix's reporting and report distribution functionality, Milo's Tea can share crucial information with their executive team. Their Finance team has also set up several automated reports including income statement, cash flow and balance sheet.

Milo's Tea also set-up a gross margin statement for each of their customers, which allows their management team to review each customer's profitability. With Prophix, they can evaluate the profitability of each of their products and understand where, when, and how they've accrued expenses. In addition, the Finance team can track capital expenditures in Prophix and make recommendations for cost reduction and improved financial performance.

Overall, the Finance team at Milo's Tea now has more time to analyze their business at the product and customer level.

04. Gain In-Depth Insights

Centralizing your data, encouraging collaboration, and enabling automatic consolidation is a start. But how can you quickly find the key takeaways that will make budgeting easier and accurate?

Data analytics on your single source of truth

Intelligent automation makes it easier to see the combined truth of your financial and non-financial data.

Spot opportunities in past performance

Spend less time attempting to discern the reasons for company successes and failures. With easy access to information, you'll know when you should repeat the past or try to avoid it.

Correlate data to spark innovation

With a centrally located data set, stakeholders across the organization have access to the same comprehensive information, leading to better collaboration and innovation.

How Prophix Helps

With just a few clicks on your self-serve dashboard, you can leverage the powerful insights that come from having a single source of truth. Customize your dashboard to display only the metrics that matter in the most meaningful way.

And, you don't need to settle for just one dashboard. You can create multiple views to make it easy to share information with various stakeholder groups. Find out more.

> " Using scenario planning, we are able to review current assumptions regarding revenue as well as discretionary spending. Having multiple scenarios allows us to make decisions with full visibility as to how any decline or increase in revenue and/or expenses will affect our bottom line income. As a new ESOP [Employee Stock Ownership Plan], it is more important than ever for our company to have visibility into how we are affecting future cash flows and business sustainability. Scenario planning is a vital tool to our success and continued growth in value!"

Amie Roach
Chief Financial Officer, Lochmueller Group

About Prophix®

Ambitious finance leaders rely on Prophix® to plan smarter, move faster, and lead with greater control. Prophix One™, a Financial Performance Platform, connects planning, budgeting, forecasting, reporting, reconciliation, and consolidation in one unified experience.

With a complete suite of scalable solutions, AI-powered automation, and data you can trust, Prophix helps teams eliminate manual work, improve accuracy, and deliver insights that drive business results. Backed by nearly 40 years of experience, more than 3,000 active customers partner with Prophix to simplify complexity and stay ready for what's next. www.prophix.com

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