THEBENCHMARK

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Time for the 90-day scrub

The absolute best management planning document on the planet is the rolling budget. Managed properly, there is no better management tool ever invented. *Ever*.

In my January column (goo.gl/gSqQ1), we spoke of the benefits of creating a budget for your year — documenting that budget, spreading it by month and focusing your management team's energies to achieving those anticipated results. You did that, right?

Now we are a bit past mid-year, and it is time to update our anticipated results for 2012 with the latest, greatest information as to how things are progressing — and to re-evaluate the anticipated results for the remainder of the year.

At the beginning of the year, we built a budget, spread it by month and laid out all of our benchmarks with which to evaluate our progress as we move through the year. (To see or download the following example, see the Excel chart at goo.gl/FOLj8.) Looking at the report, the first two columns on the left are the original budget. These were the columns we divided up and spread monthly when we initiated the budget at the beginning of the year. These columns will never change.

The next two columns are the sum of the months January through December. These columns will change as you change the numbers in the monthly spread to the right.

Starting with January, we need to enter in the actual data for each month that is completed. Yep, simply write over the budgeted information with the actual information.

The rolling budget columns will change to reflect *actual* activity so that you can compare the rolling budget activity to the original budget. Highlight the variances and discuss them with your team.

The next level

You have updated the rolling budget with actual data. Now, there is one more thing you can do. This is what I call the 90-day scrub. Look ahead to the next 90 days and change the budgeted values to better represent how you are performing.

Why would you want to do this? Principally because wherever you are in your year's activity, you are that much smarter than you were when the budget was created however many months ago. Put those smarts down on paper.

It is not so hard, either. For example, if we just closed June, we are looking at our updated rolling budget numbers and it is the second week of July. If we don't know how July is performing when we are halfway through the month, something's wrong. So, update July's numbers. We also know what the month of August should be, as we already have August's schedule in place. The same can probably be said for September as well.

If you can see variances in revenues or any of the cost categories, change them. Simply write over the budgeted values. *Horrors! We are writing over the budget? Changing the goals midstream?* You bet we are. If we are changing the numbers, the monthly budgets are outdated anyway. And remember, we have the first two columns to remind us what we were thinking when we created the original values.

We want this document to tell us, with the most accurate, up-to-date information, where we are going to end up the year.

Imagine if you could get your management team's collective heads around goal setting at this level. Talk about owning the numbers! Talk about accountability! Talk about power!

Wherever you are in your year's activity, **you are that much smarter** than you were when the budget was created.