

The Impact of Budgeting for your Business

I saw a post on LinkedIn today by an Agency Owner, Mike Crowley, describing how he is planning for his agency this year. He shared that like many others, early in his career his approach was best described as “just going through the motions” and “shooting from the hip”. I think any entrepreneur or leader can relate to that. This year, however, Mike is planning for his agency by meeting with a mentor, sharing his goals, and committing to holding each other accountable to the plans they map out for their agencies. That is impressive, and it got me thinking about the impact that shift in thinking can have on an agency’s growth potential and ultimately its value. It can seem daunting to find the capacity to pause and plan but the impact can be incredible. I would like to help as many agency owners as possible make that shift, and if you ask me, “What’s the Number 1 thing I should plan for my business?”, my answer would be, “A budget”.

A budget is simply an estimation of income and expenditures for a set period of time. What makes a budget powerful is – when it is based on your goals – it can help you determine where to invest, reallocate resources, and identify things you need to stop doing. Building a holistic view of the business, rather than individual transactions or decisions allows you to see the impact of your decisions and the opportunity to make better-informed decisions. Seems simple right? According to a survey by Clutch, 54% of small business owners have a documented budget in 2021. That number was only 39% in 2018. Given the economic challenges that we are facing, every business should be taking the time to budget and plan. Many will have a budget and a contingency budget to plan out what they will do if key assumptions and factors change.

The businesses that take the time to build a budget perform better than those that do not. In fact, over 70% of the businesses that have budgets in place report that this year’s budget is greater than the previous year’s budget. This makes sense because if you have no defined goals or performance metrics you don’t have any way of knowing how you are doing. It is like driving with no destination in mind – it is impossible for you to know when you have arrived. Another way of saying it, “What gets measured gets managed,” and a budget allows you to manage based on the defined goals.

Having a plan and a budget for your business provides you with the insights you need to act fast and implement a new course of action. If an organization must wait until the end of the year to know if they are going to be profitable, it will most likely take longer to make investment decisions than an organization that can see its performance trends throughout the year. This delay can be incredibly costly. The ability to make quick decisions creates a competitive advantage for small businesses and having those decisions be fueled by data is key.

Some business owners think that having a budget will limit their ability. In many ways, I believe it provides the opportunity to know and consider more options for your business. A budget is guide, and in some cases, businesses break their budgets for the same reason that we all break our personal budgets

from time to time. Things like unexpected expenditures, new opportunities, or significant changes in circumstances can cause us all to want and need to pivot. By monitoring performance, on a 30-day basis, the ability to react to these unexpected and unforeseen circumstances is greater. In some instances, the need for an adjustment can be identified and implemented quickly, minimizing any potential negative impact and maximizing a potential opportunity much faster than if there was no budget or plan in place.

We all have experienced times when we didn't have a defined plan – building the plane while we are flying – but there comes a time in every business when having a plan, writing it down, and managing to that plan is imperative. As we approach the end of the year, there is no better time to make this shift, and to pause, focus, and plan for the year ahead inside your agency.

If you want to learn more about how you can build a budget for your agency, visit agency-focus.com or email me at carey@agency-focus.com.