How To Create a **Flexible Budget** At Your Company

Make data-driven adjustments to your budgets based on real-time changes in company performance and macroeconomic trends.

Use this checklist as a high-level guide for creating a flexible business budgeting process.

- **Identify budget ownership:** Identify who will create and measure your company's budget each month. Engage financial analysts to forecast budgetary needs and analyze variances each month.

- **Gather company data:** Key financial data, such as P&Ls, cash flow statements and balance sheets, must come in at consistent intervals. Ensure proper data collection processes are in place.

- **Determine fixed and variable costs:** Identify and separate your fixed costs (e.g., rent, insurance) and variable costs (e.g., raw materials, production supplies).

- **Develop your budget model:** Using last cycle's actuals to determine production levels, create a budget model where fixed costs are static and variable costs are a percentage of revenue or a cost per unit of revenue.

- **Conduct scenario planning:** From your budget model, estimate potential budget scenarios—based on key revenue drivers—for your business to prepare for best and worst case events.

- **Measure company performance:** Perform monthly budget variance analysis to measure your projected costs and revenues against actuals.

- **Adjust your budget:** Use your budget variance analysis to adjust your budget model and help inform your operations with actionable next steps.