

The Benefits of a Fluid Budget Process



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Conventional wisdom says to build an annual budget and follow it like gospel. Responsible financial management depends on sticking to the plan, this line of thinking goes. But the reality is that budgets created months ago don't always reflect the reality of right now. And by operating according to a series of incorrect assumptions, companies only make their financial situation worse. Budgets are a guide – one that can also lead off course.

A better approach to budgeting creates a financial framework for the year ahead, but then it updates the numbers at the close of each accounting period. Instead of being bound by revenue forecasts that missed the mark (sometimes by a lot), the budget incorporates actual revenue totals to reflect true financial performance. Known as a flexible or fluid budget process, it represents a more proactive form of financial management gaining traction on today's accounting teams.

A [recent McKinsey survey](#) showed that 43% of CFOs who responded want more agility from budgeting, and 65% plan to use rolling forecasts moving forward. That suggests a strong appetite for something better – more dynamic – than the static budget models of the past. More than just an upgrade over the ways of old, however, a fluid budget process helps companies thrive in a fast-moving, unpredictable economic environment.

Key Benefits

- Removes rigid limitations on where and how funding flows.
- Reflects market fluctuations and business circumstances the initial budget missed.
- Accounts for unexpected costs and reveals the honest, up-to-date state of finance.
- Directs resources towards opportunities and risks as the need arises.
- Enforces superior cost controls.

In action, a fluid budget pulls in updated data about revenues, variable costs, and anything else that changed the financial outlook by defying expectations. After updating those figures, accountants can then update the rest of the budget – raising, lowering, or redirecting money as the available funds allow and the strategic priorities require. The ongoing disruptions of the Covid-19 pandemic are the clearest (but not the only) example of how fluid budgets can help accountants stay ahead of the unexpected.

Getting Started with a Fluid Budget Process

Fluid budgeting takes time – both to learn and set up, and then to update and revise on a rolling basis. Technology can help accountants clear this hurdle and transform budgeting with remarkable ease.

[Sage Intacct](#) stands out in this regard. As a complete financial management solution, it facilitates fluid budgeting, streamlines the process, and extends the benefits outlined above. Key features include:

- Automation that replaces manual data entries with real-time updates.
- Sophisticated forecasting models to predict the impact of financial changes.
- Deeper integration of financial and operational data.
- Tighter financial controls that allow for quick, decisive changes.

The right technology combined with the right techniques and training makes fluid budgeting accessible to any accounting team interested to try something new. Take the first step with the help of accounting and technology consultants at [Dean Dorton](#).

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