**Rolling Forecasts: A Business Imperative for 2014 and Beyond**

**Rolling forecasts and flexible plans can help companies adapt more quickly to business changes.**

*Dec 9, 2013***John Orlando Business Finance**

### ****Challenges with Traditional Budgeting****

According to Steve Player, North America program director for the [Beyond Budgeting Roundtable, t](https://bbrt.org/)here are seven key problems with traditional budgeting:

1. Budgets take too long to prepare (often making them out of date when published).

2. Budgets cost too much.

3. Budgeting is based on assumptions that are nearly always wrong.

4. Budgeting causes gaming that erodes the ethical foundation of the company.

5. Budgeting triggers unnecessary spending.

6. Budgeting gives the illusion of control by robbing potential.

7. In the words of Jack Welch from his book Winning, “It [Budgeting] brings out the most unproductive behaviors in an organization.”

So if two key operating documents—the budget and the plan—are essentially DOA, why bother with them at all?

Player suggests, “You have to have some idea of where you’re going. You need to establish what markets you’re going to compete in, which products you will produce, which services you will provide, and then posit out your strategy for winning.”

Instead of creating codified budgets and plans, experts argue for moving to rolling forecasts. The case is simple: Rolling forecasts and flexible plans make it easy to adapt to business changes. Player suggests you need to be able to make course corrections as the winds of business change. You need to think about your budgeting and planning processes and ask yourself: Are they flexible? Can you make rapid changes as needed? Or do they molder in a closet, having little to do with the actual running of the business?

**But how do I get this ‘rolling’?**

There are three key best practices necessary to implement a successful rolling budget strategy and jumpstart a new approach to traditional budgeting and forecasting processes:

1. Establish a baseline for your actuals: are you going to use three months, six months, twelve months to compare against plan

2. Determine what your rolling forecast timeline will be, based on your organization, industry, etc. For many companies it could be 12 months, 18 months, or more.

3. Analyze historical results compared to plan and start making adjustments based on your largest areas of exposure, including speaking revenue, payroll, cost of goods sold, and marketing.

In order to successfully manage the current climate of constant change, organizations of all sizes, across all industries, must change the traditional mindset from a static one to one of fluidity. By implementing a rolling forecast, you will empower your financial leaders to move swiftly with change instead of against it and ensure the ongoing financial health of the organization.