

## Management Article July 2009 -Bottom Up Budgeting

As promised, this month I will explore the technique of bottom up budgeting. It was mentioned in my articles on financial forecasting and sharing teeth. You can learn more about these and other topics by visiting the industry specific discussion boards at [www.MrMissionPossible.com](http://www.MrMissionPossible.com).

I was proud to learn about bottom up budgeting in my stint at Ford Motor Co. after I sold them my recycling facilities in 1999.

It's easy to just work on a budget, forecast some growth in sales or products, make the expenses fixed or variable relative to the sales, and then charge off to accomplish the goal. There's the rub, hitting the goal.

Without bottom up budgeting and a bridge plan (Another term you will find explained on our discussion boards or in a future article here), the chances that you will hit your goal are not good.

As you forecast increased sales, you must study the underlying metrics. In automotive recycling, if you forecast a 5% increase in parts sales, which seems achievable, how will your metrics measuring buying, processing, and deliveries/fulfillment be affected?

Unless you are going to process the same number of cars, but raise the price per unit, you will need to buy more cars. Can you buy more? Ask the buyers. Can you process more? Ask the dismantlers. Do you have the racks to hold more parts? Or are you planning faster turns? Do you need to add another salesperson? Will there be more deliveries or shipping?

All of these departments are likely to be affected, and unless you consider all of their metrics in the plan, and get everyone committed to pulling their oar, your plan is unlikely to succeed.

Bottom up budgeting is also a useful method for planning capital expenses like buying another dismantling lift, forklift, or even a new phone system to make your salespeople more efficient. Do your salespeople want the new system badly enough to commit to the 5% goal without another salesperson?

A restaurant has to consider table turns, cost of food, and the size of their coolers before forecasting additional sales. Do they have adequate parking for the new customers? All businesses, from restaurants to electrical contractors, need bottom up budgeting.

We routinely apply bottom up budgeting to increase the chance of success of initiatives in our industry specific Peer Benchmarking Review Groups. Would your business benefit from tapping 100s of years of industry experience? From getting the insights of the industry leading businesses for each of your key metrics? From getting fresh ideas on lowering expenses and raising revenues? Visit our web site to learn more about joining

an upcoming PBRG for your industry. To assure the groups are made up of non-competitive businesses, we only accept one business owner from each market. Make sure that it's you.

Visit Mr. Mission Possible ([www.MrMissionPossible.com](http://www.MrMissionPossible.com)) to learn more about industry specific [peer benchmarking review groups](#). From personal experience, I will tell you they work to generate the extra business required to grow a small business in tough times. Our next Peer Benchmarking Review Group meeting is Saturday, August 25<sup>th</sup>, 2009, though we host meetings for other small businesses year round.

Visit [www.GreenWeenies.com](http://www.GreenWeenies.com) to learn all the backroom business terms in Ron's book *Green Weenies and Due Diligence*. There are 1,200+ terms in over 300 pages, with hilarious illustrations by world famous artist Gahan Wilson. Register for your free weekly "green weenie" by e-mail. If you want to know what a three fingered booger is, or what's in a train wreck envelope, **GreenWeenies.com** the only place to go!

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**AutoSalvageConsultant.com** was formed in 2001 to help recyclers improve their businesses. The company has become THE definitive source for recyclers' management and training needs. The founder, Ron Sturgeon, is past owner of AAA Small Car World and was part of the partnership that purchased GreenLeaf from Ford Motor Company, executed a turnaround, and sold the company one of the largest public companies in the auto recycling business. You can review his resume, with skills and experience, at [www.AutoSalvageConsultant.com](http://www.AutoSalvageConsultant.com). In March 2009, his third book, *How to Salvage More Millions from Your Small Business*, was published. You can order it at [www.SalvagingMillions.com](http://www.SalvagingMillions.com). His first book, *How to Salvage Millions from Your Small Business*, was reprinted in the U.S. and published in China, Korea and the Czech Republic. You can learn more about how to help your business at **AutoSalvageConsultant.com**. You can reach Ron Sturgeon by calling 817.834.3625, by e-mailing [rons@MrMissionPossible.com](mailto:rons@MrMissionPossible.com), or by mailing to 5940 Eden, Haltom City, TX 76117.