

Budgeting for Results- Developing the Right Targets, Tools, and Process

Overview

For many middle market, PE-backed companies, the annual budget is the roadmap to delivering on the investment thesis. Done well, it can align every function around value creation and position the business to meet or exceed its targets. Done poorly, it can delay initiatives, create roadblocks, and leave critical performance gaps undiscovered.

Impact Point's approach to budgeting is designed to eliminate those pitfalls. It blends discipline and flexibility, ensuring budgets are actionable, transparent, and tied directly to the company's strategic goals. Here's what that looks like in practice.

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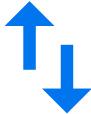
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1. Start with Clear Guiding Principles

The most effective budgeting processes are grounded in clear, consistent principles that guide every decision. These principles keep the process focused, unify the organization around shared goals, and create the discipline needed to deliver on the plan.

We emphasize:



Top-down meets bottom-up

A top-down target, reconciled with detailed bottom-up builds, ensures both ambition and realism.



Data-driven decision making

Modeling best- and worst-case scenarios helps CFOs prepare for economic fluctuations and operational shifts.



Timely, thorough, actionable

A budget approved too late can cost months of execution time.



Repeatable processes

CFOs should ensure consistency across reports, enhancing transparency and aiding decision-making.



Accountability and transparency

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Insight:

While important as ideal best practices, guiding principles are also the foundation for every step in the process.

They form the backbone of the budgeting process, shaping how targets are set, how numbers are built, and how performance is managed throughout the year.

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Best Practice

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2. The Framework: Three Phases

A structured budgeting process typically unfolds in three key phases: vision, accountability, and delivery. Each has a distinct purpose.

This phased approach helps ensure the budget is set up correctly, built collaboratively, and executed with the intention of success:

Phase 1: Vision

The phase where big-picture financial goals are set to match the company's strategy and the PE sponsor's plans, using past performance, current trends, and upcoming priorities to create a realistic top-down target that guides the detailed budget.



Phase 2: Accountability

Department leaders take ownership of their numbers, building detailed bottom-up budgets that are reviewed, refined, and aligned to the top-down targets.



Phase 3: Delivery

Focused on putting the budget into action, tracking results against the plan, and addressing gaps with targeted initiatives so the organization stays on course to meet its goals.



Key Insight

Woven through each phase are a few essential components: a clear view of recent trends, the investment thesis, and strategic goals; a top-down target to aim for; and the right support systems (like a Budget Management Office), a solid workplan and calendar, and a rolling forecast to keep everything on track.



3. The Budget Management Office (BMO): Governance in Action

The Budget Management Office (BMO) acts as the command center for the entire budgeting process. It coordinates the moving parts, keeps timelines on track, and makes sure everyone is on the same page.

The BMO is responsible for:



Pre-execution:

Driving the vision, setting up meetings and cadence, allocating resources, and signing off on targets and roadmaps.



Post-execution:

Tracking actuals vs. budget, supporting initiative implementation, closing gaps, and resolving issues.

Supporting the BMO are:



Executive Sponsors:

Department-level leaders who approve budgets, guide budget owners, and help identify initiatives to close performance gaps.



Budget Owners:

Leaders who prepare and present their department's bottoms-up budget.



Support Teams:

Finance, data, and other staff who provide inputs, populate templates, and support variance explanations.



Key Insight:

In short, the BMO turns budgeting from a once-a-year struggle into a disciplined, repeatable process, with clear roles, a steady cadence, and a focus on both planning and follow-through.

4. A Calendar That Works

An effective budget calendar sets the pace for each phase, builds in time for iteration, and ensures critical steps like department reviews, reconciliation, and leadership sign-off happen in the right order. The result is a process that finishes on time and produces a budget ready to be executed on day one.

Month 01

- Kick off the budget process with all stakeholders.
- Share the calendar, roles, and initial top-down targets.
- Establish working teams and meeting cadences.

Month 02

- Launch bottoms-up template builds (with spend cube, headcount, and initiatives).
- First department reviews with guidance from finance.
- Begin reconciling numbers to top-down targets.

Month 03

- The second department reviews with updated models.
- Develop and review the balance sheet and cash flow model.
- Prepare materials for board review.

Month 04

- Final executive leadership review and adjustments.
- Board review and approval.
- Upload the final budget and distribute it to stakeholders.



Key Insight:

By structuring the process month by month, teams can focus on the right tasks at the right time and arrive at a budget that's been stress-tested and refined before it ever goes to the board.



5. Setting the Target: Data, Thesis, Strategy

A disciplined budget process moves in deliberate steps, with each month building on the last. Clear milestones keep the work on track, give leaders time to review and refine, and ensure the final plan is ready to execute the moment it's approved.

A strong top-down target for your budget process draws from three sources:



Latest Trends

Consolidated historicals, normalized for one-time items, to identify revenue and cost patterns.



Investment Thesis

PE deal team expectations, add-on activity, personnel investments, and other value-creation levers.



Strategic Goals

Objectives for the next year, plus anticipated changes to people, processes, and systems.

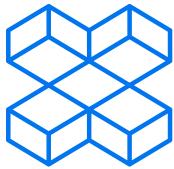


This is about setting an informed, strategic starting point that department budgets can be measured against and aligned to.

6. Building the Bottoms-Up Budget: Tools that Matter

Creating a budget that leaders can actually deliver on requires practical, data-driven tools that give department owners a clear picture of where they stand, what they need, and how their plans connect to company-wide goals.

We focus on three essentials:



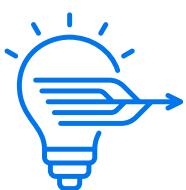
Spend Cube

A vendor-level view of operating expenses, built from spend data by cost center, vendor, and department. It helps identify consolidation opportunities, enforce controls, and negotiate savings.



Headcount Template

A detailed role-by-role projection that includes salaries, benefits, planned hires, promotions, and adjustments. It ensures personnel costs, often the largest expense category, are planned accurately.



Initiative Tracker (Charter):

A one-page summary for each major initiative, showing scope, timing, one-time costs, and expected P&L impact. This keeps big bets visible and measurable throughout the year.



Together, these tools turn the budget from a static document into a living playbook. They give leaders the insight to make smarter decisions, the structure to stay accountable, and the visibility to keep execution on track all year long.

Turning Budgeting Into a Strategic Advantage

A well-run budgeting process aligns the organization around a shared vision, creates accountability at every level, and sets a clear course for delivering on the investment thesis. By combining top-down targets with bottoms-up builds, and supporting the work with strong governance and practical tools, companies can move beyond budgeting as a checkbox exercise and make it a driver of performance.

The value is in the discipline it builds. Regular reviews keep the plan alive, the BMO ensures momentum and coordination, and clearly defined roles keep everyone focused on their part in achieving the goal. Challenges and surprises will happen, but with the right process in place, the organization can respond quickly, adjust course, and still deliver on its commitments.

In PE-backed environments, where every quarter counts, budgeting for results can be a decisive competitive advantage. With the right targets, tools, and process, the budget becomes a roadmap for creating the value the business was built to deliver.

Impact Point Co.

Impact Point Co. is a management consulting firm specializing in Office of the CFO and M&A solutions tailored for the private equity and corporate middle market. Founded by professionals from top-tier consulting firms, Impact Point focuses on delivering value creation opportunities through services such as transformation, merger integration, and turnaround strategies. Our team works closely with operating partners and C-suite executives to enhance financial planning, analysis, and reporting, ensuring optimal financial performance for their clients

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