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The COVID-19 pandemic is causing many finance and accounting executives, including your clients, to rethink their budgets, implement cost-saving measures, and reinforce their budgeting and forecasting, with a focus on proactive planning. Proactive planning is the process of budgeting and re-forecasting based on real-time operational data and market dynamics. It involves visualizing the path the company wants to take, determining what will be required to meet those goals while looking at different scenarios related to the current business environment, monitoring progress in real-time, and making adjustments along the way. This takes budgeting and forecasting to a new level.

Let's focus on how you can help your clients with proactive planning and some of

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Visualize

The first step is visualizing where the organization wants to go and what it will take to get there. Starting and running a business is like scaling Mount Everest. There are multiple base camps along the way, and it is critically important to plan how to get to each one and consider multiple scenarios. We recommend your clients take their plans for the year and break them down into key milestones. What will they accomplish in the next month, quarter, and year?

For example, how much revenue, if any, do they plan to produce? This is not simply a number. Start from the bottom up. What will they sell and to whom? If they are a subscription business, what will each of their subscriptions include? Is their subscription bundled or do they have distinct modules? If they are a services-based business, how many hours of service will they provide to each customer? You get the idea. Why is this so important? Because with specific targets, they are establishing specific goals and that will drive the behavior to accomplish those goals. They will know exactly what is needed. These details matter.

Monitor

Many organizations stop after visualizing because it is too difficult or time-consuming to keep up with the actuals. But monitoring progress in real-time is crucial – not at the end of the month, not at the end of the quarter, but truly in real-time. Each week really matters when it comes to meeting goals. Your clients should be able to see how their revenue, expenses, and cash are tracking against their goals in as close to real-time as possible so that adjustments can be made. What if they knew early in the month that they were falling behind in sales or had an unexpected churn? If they miss their plan early in the year, the compounding effect makes catching up for the lost revenue very difficult. If they know early on that they are

falling behind, they might incentivize a prospect or get a customer to sign up for a

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Adjust

Organizations should always be in a position to make adjustments – both financial and operational – based on the actuals. As time goes on, they will need to make adjustments to their forecast based on revised sales projections, product release dates, days sales outstanding data, etc. The adjustments could be made to hire dates, capital investments, when they talk to banks about lines of credit, and frankly all their discretionary spending. Does it increase or decrease? The sooner they can respond, or the more proactive they can be, the more impact it will have.

A good, but painful example is the impact that COVID-19 is having on many businesses. If your clients see some sales pushing, they need to get out ahead of cutting expenses. The sooner they make those decisions, the more cash they conserve, and the longer they extend their runway.

Proactive planning is a key first step in a [finance and accounting playbook](#) we have developed for our own business at AcctTwo. Having implemented a proactive planning process has helped AcctTwo immeasurably. We started the year with a plan, monitored our progress in real-time, and are in a much better position to adjust, when and if needed.

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Marcus Wagner is the Founder and CEO of [AcctTwo](#). He has more than 25 years of experience in finance and accounting, auditing, internal controls and risk management, system implementation, process design and re-engineering, finance transformation, outsourcing and shared services. Prior to founding AcctTwo, he was a Co-Founder, Partner and Advisory Practice Leader at Calvetti, Ferguson & Wagner, P.C., a Houston-based accounting firm. He started his career at Price Waterhouse LLP

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