

Laying the Foundation for Budgeting Success

First you have to realize that the key to financial success is very simple. Budgeting success is essential for financial freedom. Spend less than you make! Once you have adopted the principle of spending less than you make, you are well on your way to winning the mental financial fitness battle which could lead the way to financial success. After you have determined that you will take the steps necessary to become financially fit, you need to incorporate a financial success system into your personal financial life. The Success is a system that can be adopted and routinely followed to ensure continued improvement and long-term financial fitness. This system includes four steps: plan, track, compare, and adjust which helps you to keep your financial freedom intact.

The system seems relatively simple, but results can be extraordinary when these steps are followed continuously. Successful companies everywhere incorporate this system for financial planning, into their monthly, quarterly, and annual management systems and processes. Successful project managers, contractors, and process management professionals all follow this cycle. What's more, the cycle can be applied to a very small project spanning a few weeks or to the construction of a multibillion-dollar industrial plant spanning a number of years. In either case, successful execution requires that each of the steps in the Success Cycle be taken. Steps cannot be shortened or eliminated from the financial planning. Often in our society we like to find the quick fix or the silver bullet. What we need to realize is that victory comes through the steady and persistent application of proven principles.

Some years ago, Frank Burge, a noted publisher, told a story regarding management styles in an article in the October 7, 1991, issue of Electronic Business magazine. His story related a conversation between himself and Alex d'Arbeloff, chairman of Teredyne. Apparently, d'Arbeloff had been trying to figure out why the Japanese were so successful. Was it, he wondered, because they're just smarter than we are? No, he thought, they're smart but no smarter than we are. Is it because they work harder? Again, they work hard, but American workers are some of the most productive, hardest-working people in the world. That can't be it either.

Then it dawned on him. He realized that most Americans tended to operate their business by managing events. When something goes wrong, we fix it. We manage to put out fires very well-what d'Arbeloff refers to as 'fire-hose management'- but we fail to do anything about improving the processes that could prevent fires in the first place. Our motto usually is 'If it ain't broke, don't fix it.'

After Frank finished his story, a man in the audience made this observation: 'Frank, the difference is the Japanese are farmers. They sow the seed. They water it. They let the sun nourish it. And then they harvest it. Farming takes patience. You just can't rush the process. Americans aren't farmers; Americans are hunters. When they want dinner, they go out and shoot something. Bang! It's done. 'Forget patience. I'm hungry.' 'Bang!'" When the gentleman finished his statement, everyone in the audience was laughing-they recognized the truth in what he was saying.

Consistent implementation of the Success Cycle forces us to become more patient-to be more like farmers and less like hunters-ensuring our long-term financial success. If you wish to correctly implement the four steps of the financial success Cycle, you need to clearly understand each one for financial peace.