

An introduction to Beyond Budgeting

- Business Agility in practice

December 7, 2023

Bjarte Bogsnes
Chairman Beyond Budgeting
Roundtable
Founder Bogsnes Advisory

The illusion of control

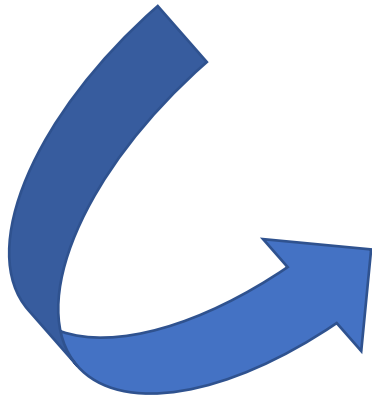
The definition

“The power to influence or direct people's behaviour or the course of events”



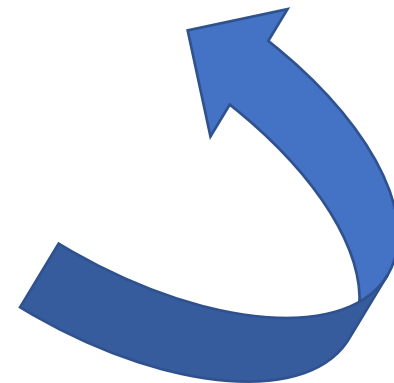
The grand illusion

- People can and must be managed
- The future is predictable and manageable



In business terms

- Controlling people
- Controlling the future







«Most of what we call
management is about
making it difficult for
people to do their job»

Peter Drucker

“Most corporate planning is like a ritual rain dance. It has no effect on the weather, but those who engage in it think it does. Much of the advice and instruction is directed at improving the dancing, not the weather” - Russel L. Ackoff





The innovation paradox

Technology innovation

- a very crowded place

Leading edge!

Unique!

Forefront!

Management innovation

- not yet a crowded place

Great!

Scary!

Same purpose: Better performance!

Budget problems



Very time consuming



Assumptions quickly outdated



Stimulates unethical behaviours



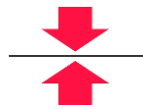
Creates illusions of control



Decisions made too early and often too high up



Can prevent value adding activities



Not just a ceiling for cost, also a floor



Often a bad yardstick for evaluating performance



Conflicting purposes

Irritating itches - or symptoms of a bigger problem?

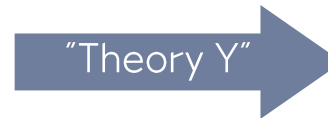
The world has changed

- what about the way we lead and manage?

Business environment



Traditional management



People

We must change both processes and leadership

Processes



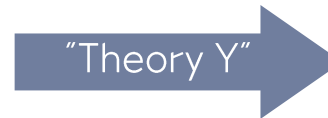
No traditional detailed budgets
Relative and directional goals
Dynamic planning, forecasting
and resource allocation
Holistic performance evaluation



Rigid, detailed and annual
Rules-based micro management
Centralised command and control
Secrecy, sticks and carrots



Purpose and values based
Autonomy
Transparency
Internal motivation



Leadership

Beyond Budgeting

Performance. The Right Way.

Leadership principles

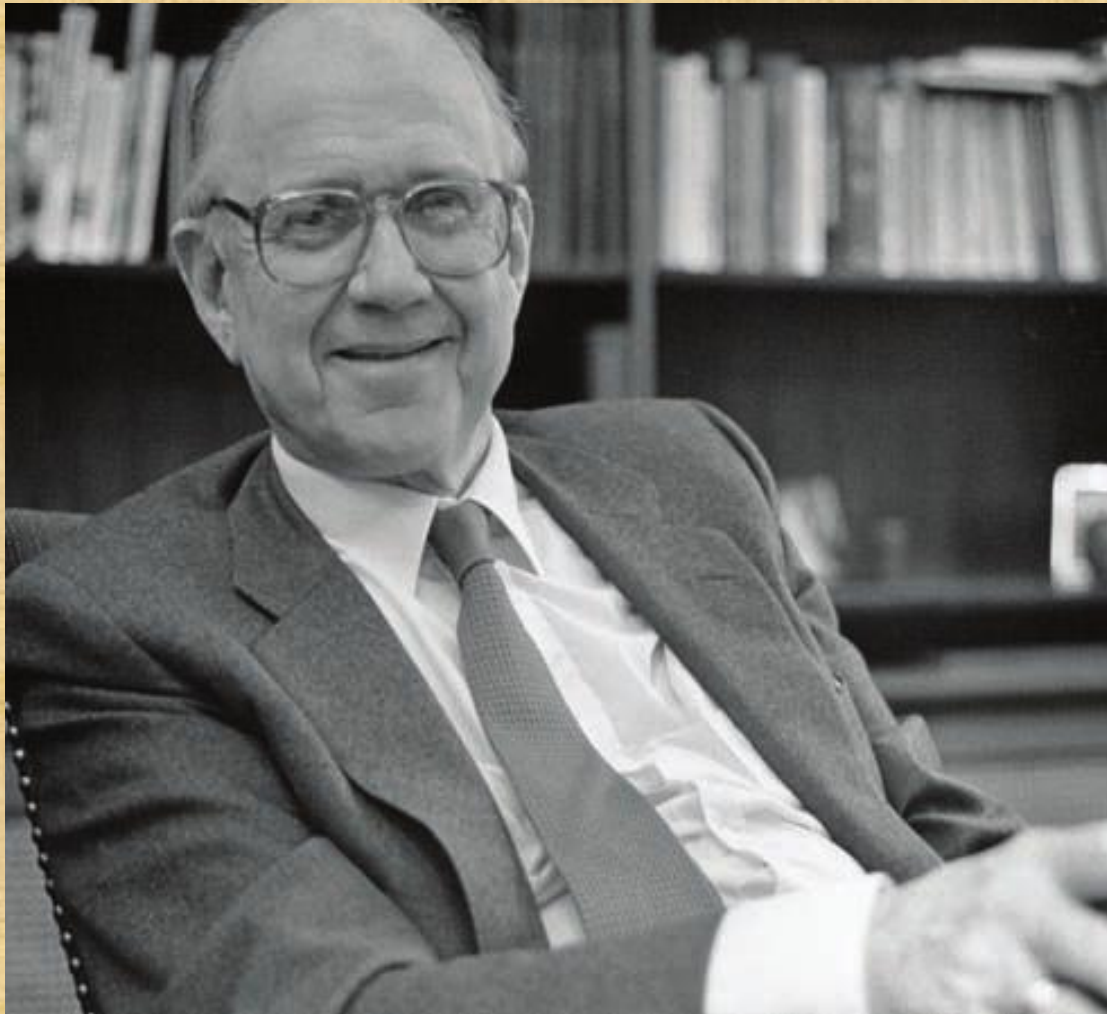
- 1. Purpose** - Engage and inspire people around bold and noble causes; **not** *around short-term financial targets*
- 2. Values** - Govern through shared values and sound judgement; **not** *through detailed rules and regulations*
- 3. Transparency** - Make information open for self-regulation, innovation, learning and control; **don't** *restrict it*
- 4. Autonomy** - Trust people with freedom to act; **don't** *punish everyone if someone should abuse it*
- 5. Organisation** - Cultivate a strong sense of belonging and organise around accountable teams; **avoid** *hierarchical control and bureaucracy*
- 6. Customers** - Connect everyone's work with customer needs; **avoid** *conflicts of interest*

Management processes

- 7. Targets** - Set directional, ambitious and relative goals; **avoid** *fixed and cascaded targets*
- 8. Forecasts** - Make forecasting a lean and unbiased process; **not** *a rigid and political exercise*
- 9. Resource allocation** - Foster a cost conscious mind-set. Plan and make resources available as needed; **not** *through detailed annual budget allocations*
- 10. Performance evaluation** - Evaluate performance holistically to guide interventions; **not** *based on measurement only and not for rewards only*
- 11. Rewards** - Reward shared success against competition; **not** *against fixed performance contracts*
- 12. Coordination** - Organise management processes dynamically around business rhythms and events; **not** *around the calendar year only*

Companies on the journey



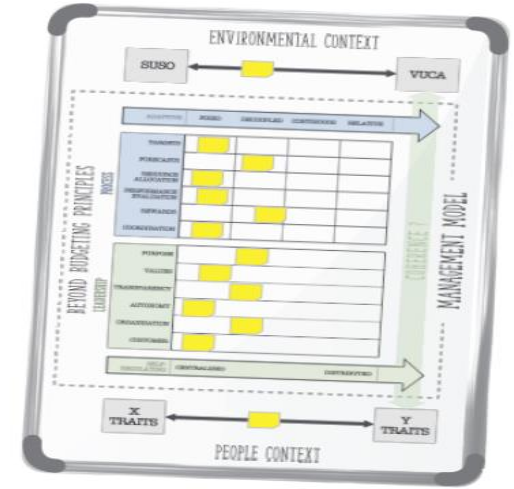
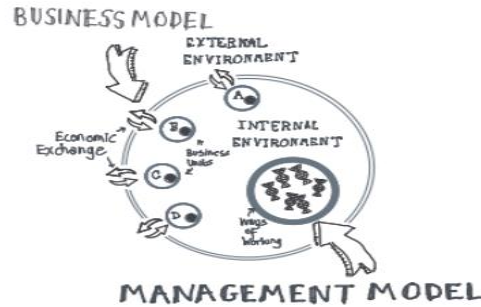


Jan Wallander – former CEO
Handelsbanken (RIP)

«The budget is
in the best case,
totally
unnecessary,
and in the worst
case, **actively**
harmful»

the VIABLE MAP

Workbook



Helping

DESCRIBE DISCUSS & DIAGNOSE

your **MANAGEMENT MODEL**



and

DESIGN

one that works for your organisation.

ADAPTABILITY of processes \geq PREDICTABILITY of the world

CONFERENCE? \leftarrow \rightarrow CAPABILITY of people

ability to SELF REGULATE

WHAT MAKES A MANAGEMENT MODEL VIABLE?



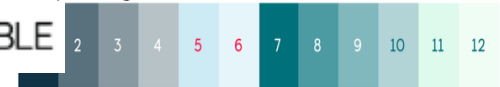
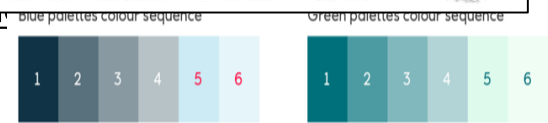
Sebastian Becker, Bjarne Bøgsnes, Dag Larsson, Steve Morledge, Anders Olesen, Pihard Olsson, Franz Rösli



Available at:



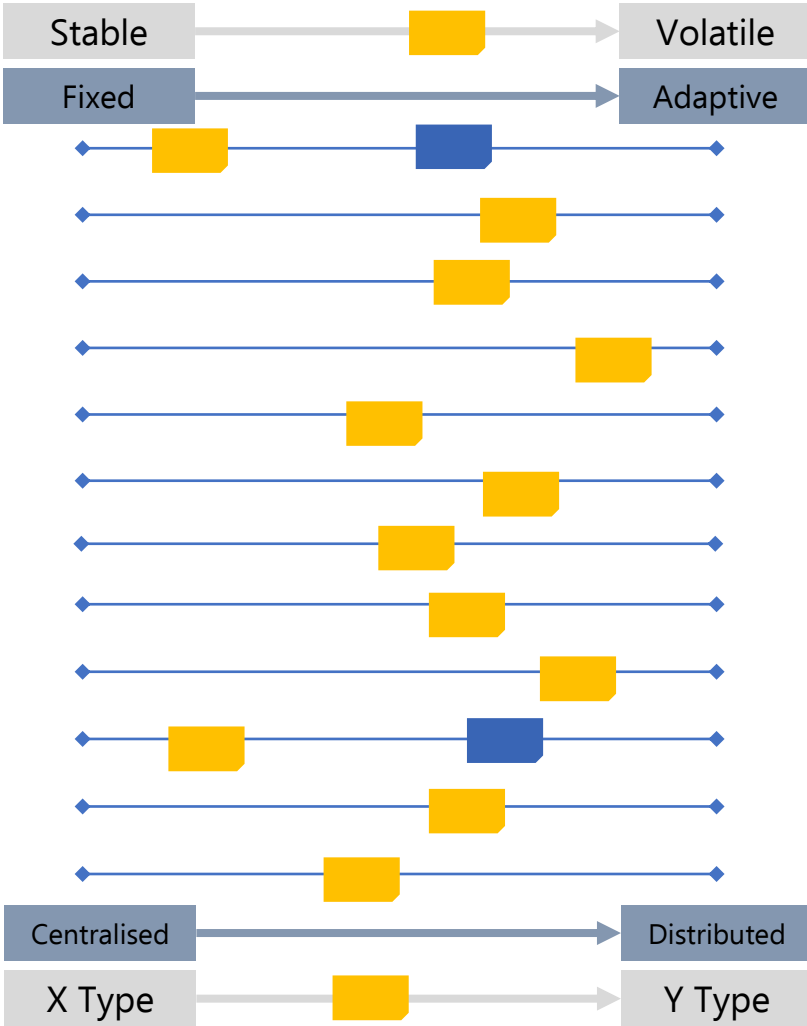
<https://viablemap.org/>



Beyond Budgeting Performance. The Right Way.

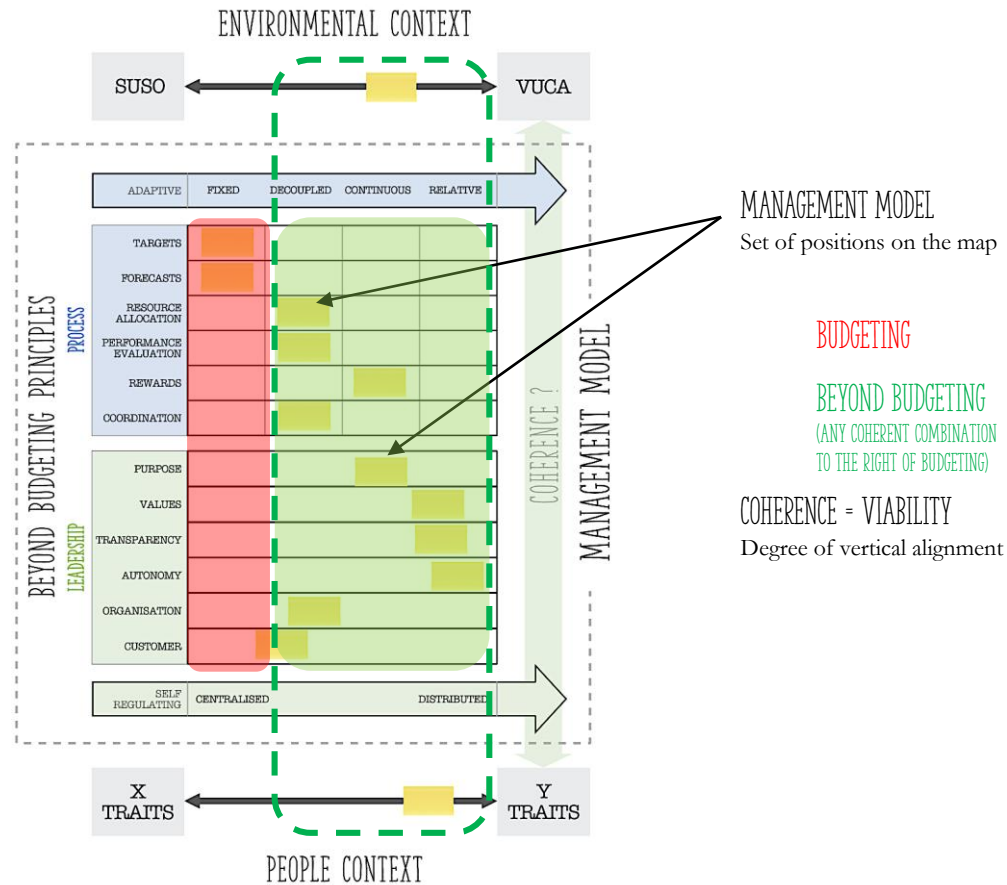
Leadership principles	Management processes
1. Purpose - Engage and inspire people around bold and noble causes; not around short-term financial targets	7. Targets - Set directional, ambitious and relative goals; avoid fixed and cascaded targets
2. Values - Govern through shared values and sound judgement; not through detailed rules and regulations	8. Forecasts - Make forecasting a lean and unbiased process; not a rigid and political exercise
3. Transparency - Make information open for self-regulation, innovation, learning and control; don't restrict it	9. Resource allocation - Foster a cost conscious mind-set. Plan and make resources available as needed; not through detailed annual budget allocations
4. Autonomy - Trust people with freedom to act; don't punish everyone if someone should abuse it	10. Performance evaluation - Evaluate performance holistically to guide interventions; not based on measurement only and not for rewards only
5. Organisation - Cultivate a strong sense of belonging and organise around accountable teams; avoid hierarchical control and bureaucracy	11. Rewards - Reward shared success against competition; not against fixed performance contracts
6. Customers - Connect everyone's work with customer needs; avoid conflicts of interest	12. Coordination - Organise management processes dynamically around business rhythms and events; not around the calendar year only

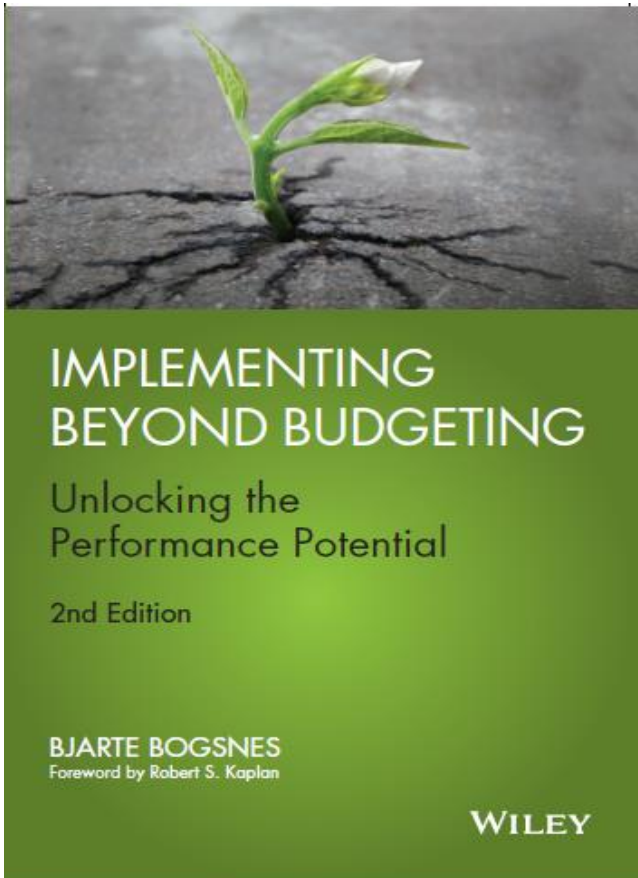
	ENVIRONMENT
	Flexibility
Management processes	7. Targets - Set directional, ambitious and relative goals; <i>avoid fixed and cascaded targets</i>
	8. Forecasts - Make forecasting a lean and unbiased process; <i>not a rigid and political exercise</i>
	9. Resource allocation - Foster a cost conscious mind-set. Plan and make resources available as needed; <i>not through detailed annual budget allocations</i>
	10. Performance evaluation - Evaluate performance holistically to guide interventions; <i>not based on measurement only and not for rewards only</i>
	11. Rewards - Reward shared success against competition; <i>not against fixed performance contracts</i>
	12. Coordination - Organise management processes dynamically around business rhythms and events; <i>not around the calendar year only</i>
Leadership principles	1. Purpose - Engage and inspire people around bold and noble causes; <i>not around short-term financial targets</i>
	2. Values - Govern through shared values and sound judgement; <i>not through detailed rules and regulations</i>
	3. Transparency - Make information open for self-regulation, innovation, learning and control; <i>don't restrict it</i>
	4. Autonomy - Trust people with freedom to act; <i>don't punish everyone if someone should abuse it</i>
	5. Organisation - Cultivate a strong sense of belonging and organise around accountable teams; <i>avoid hierarchical control and bureaucracy</i>
	6. Customers - Connect everyone's work with customer needs; <i>avoid conflicts of interest</i>
	Self-regulation
	PEOPLE



- Describe
- Discuss
- Diagnose
- Design

THE VIABLE MAP





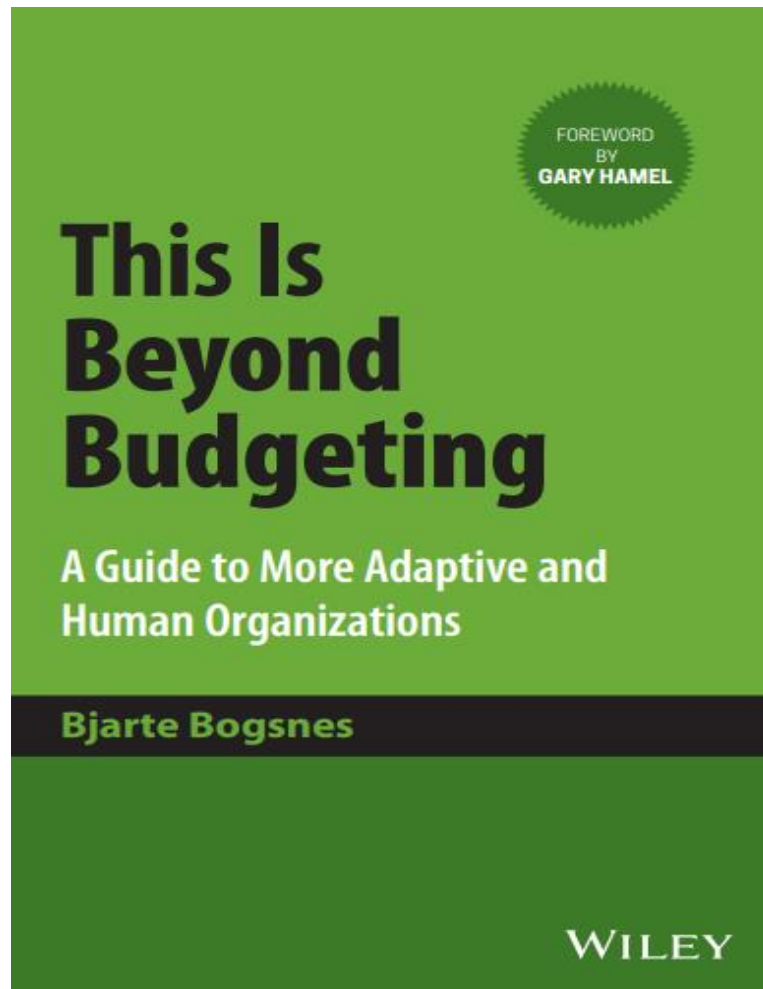
Want to hear more?

1. The problems with traditional management
 2. The Beyond Budgeting model
Cases: Handelsbanken, Miles, Reitangruppen
 3. The Borealis case
 4. The Statoil case
5. Beyond Budgeting and Agile
 6. Implementation advice

Wiley (US). Translated to German, Chinese, Japanese and Russian

"At last, Bjarne Bogsnes has made his experience and enthusiasm for Beyond Budgeting available for a wider audience with this remarkable book. I have appreciated his engagement in these important management issues for many years, and his knowledge and leadership has been critical in the transformation of our organization."

-Eldar Sætre, former CFO/CEO Equinor



Just out.

Foreword by Gary
Hamel,

Thank you
for listening!

bjarte@bogsnesadvisory.com

Twitter @bbogsnes

LinkedIn

bogsnesadvisory.com

Beyond Budgeting Round Table - bbrt.org

Getting started - solving the budget conflict

Budget purposes

- Target
- Forecast
- Resource allocation



1. Separate



Target

An aspiration - what we want to happen



Forecast

An expectation - what we think will happen



Resource allocation

Optimization of scarce resources

2. Improve

- Inspiring & stretching
- Relative where possible
- Basis for performance evaluation
- Unbiased - expected outcome
- Not a promise
- Limited detail
- More continuous allocation
- KPI targets, mandates, decision gates and decision criteria
- Trend monitoring

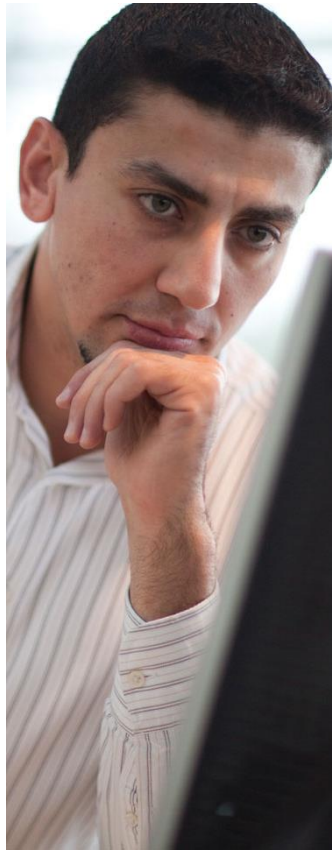
Same number
Conflicting purposes

Different numbers
Different processes

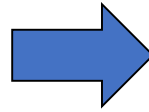
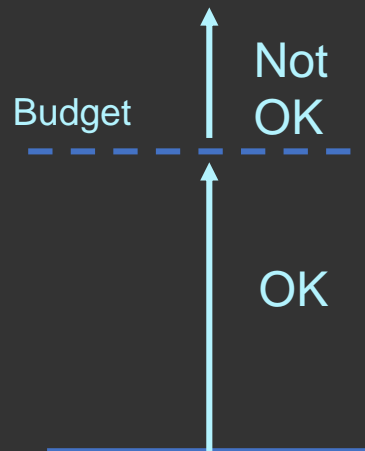
More event driven
Less calendar driven

Managing cost - the mindset required.....

– cost conscious from the first cent



Do I have a budget for this?

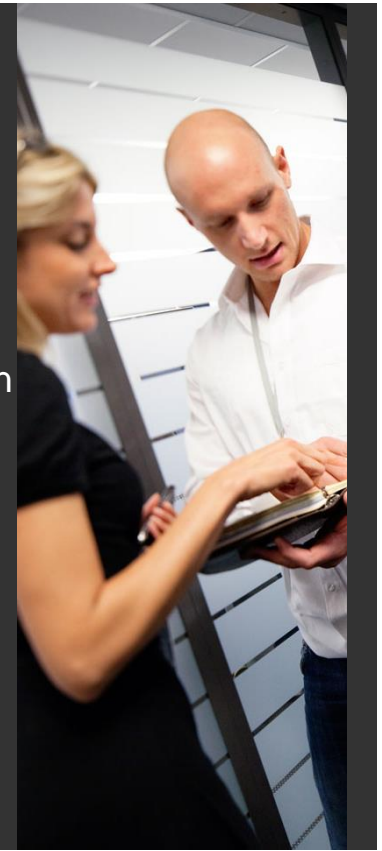
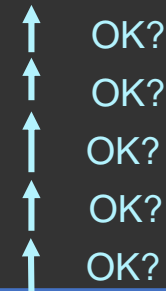


Is this really necessary?

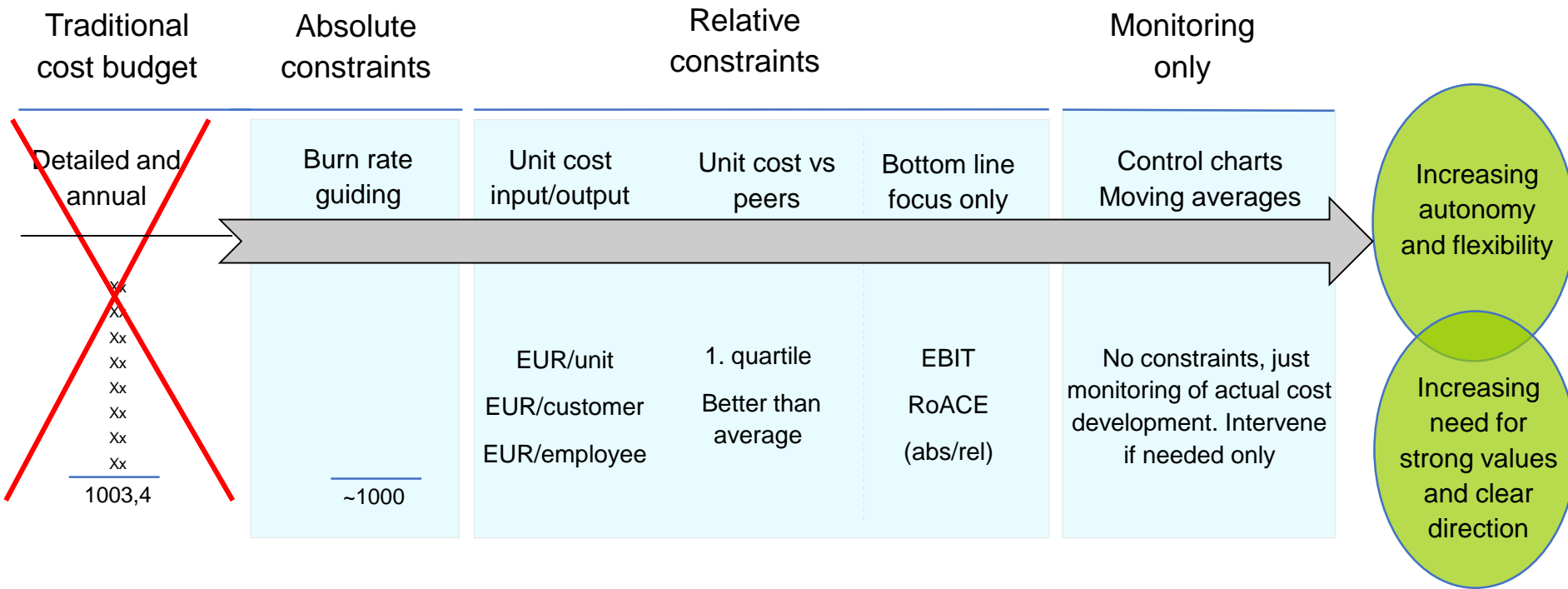
What is good enough?

How much value is this creating?

Is this within my execution framework?



Tools for cost management



Supported by decision authorities and spending guidelines