

# Business agility and the elephant in the room

- an introduction to Beyond Budgeting

Berlin September 28

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# The illusion of control

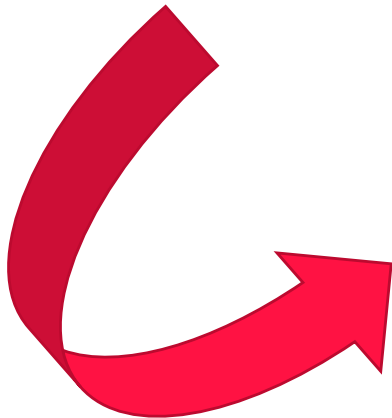
## The definition

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



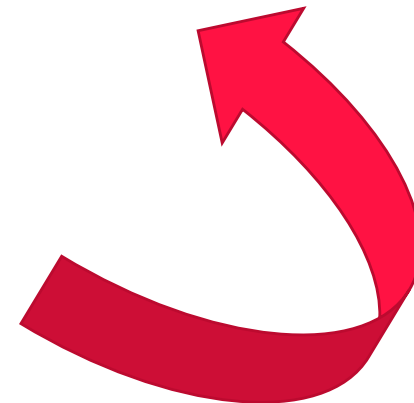
## The grand illusion

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

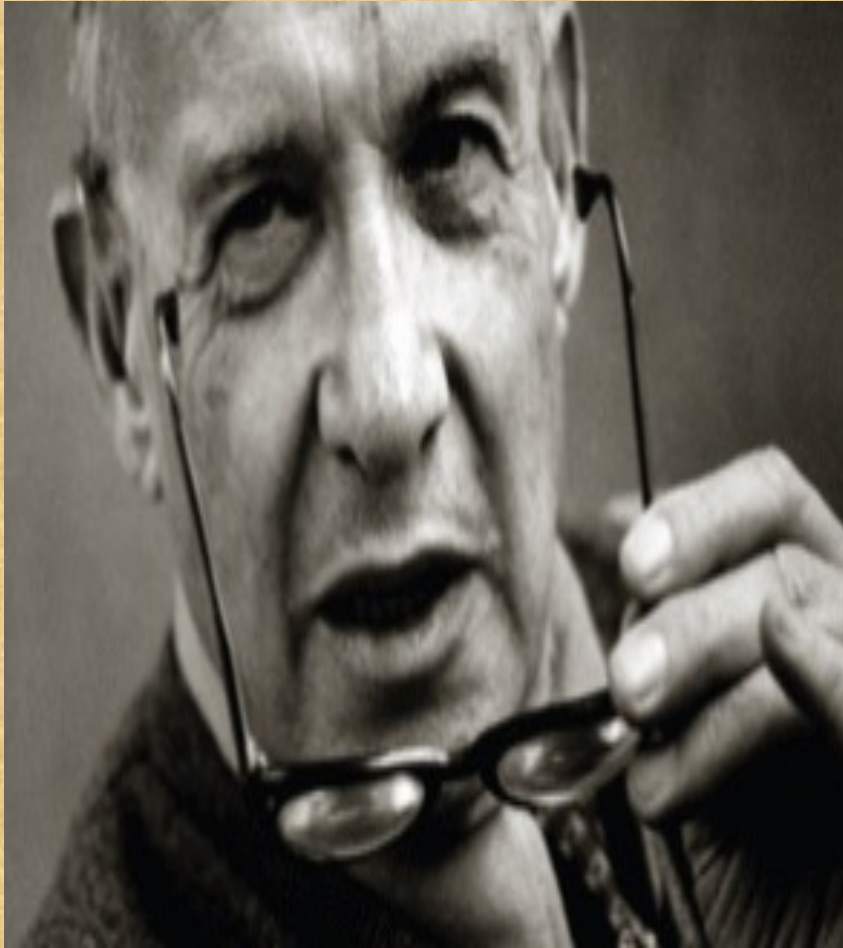


## In business terms

- 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

Great!



## Management innovation

- not yet a crowded place

Scary!

Same purpose: Better performance!

# Budget problems



Very time consuming



Assumptions quickly outdated



Stimulates unethical behaviours



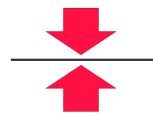
Creates illusions of control



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?

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# Managing traffic performance - one alternative



Who is in control?

Based on which  
information?

# Managing traffic performance - another alternative

Who is in control?

Based on which  
information?



Which is most **efficient**?

Which is most **difficult**?

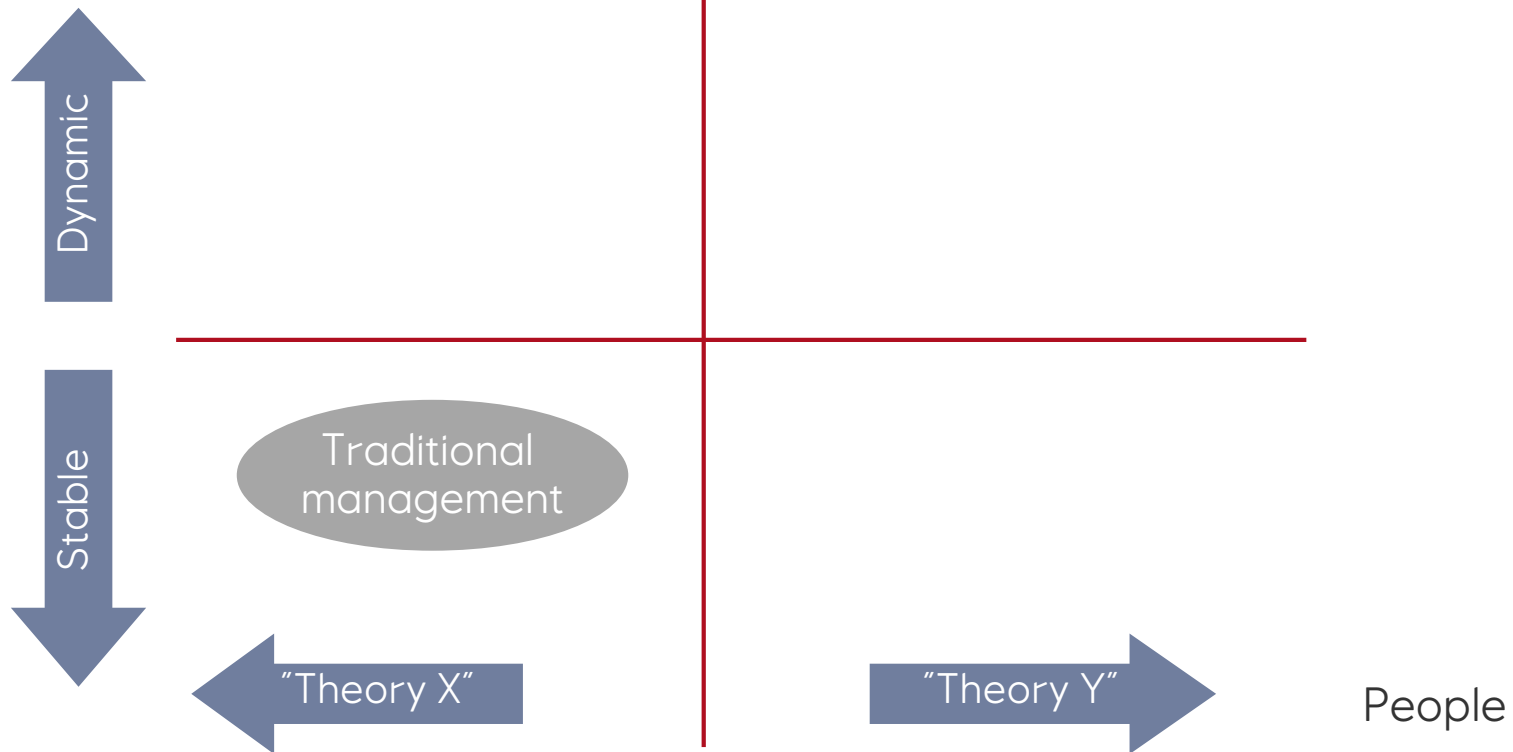


In which are **values** most important?

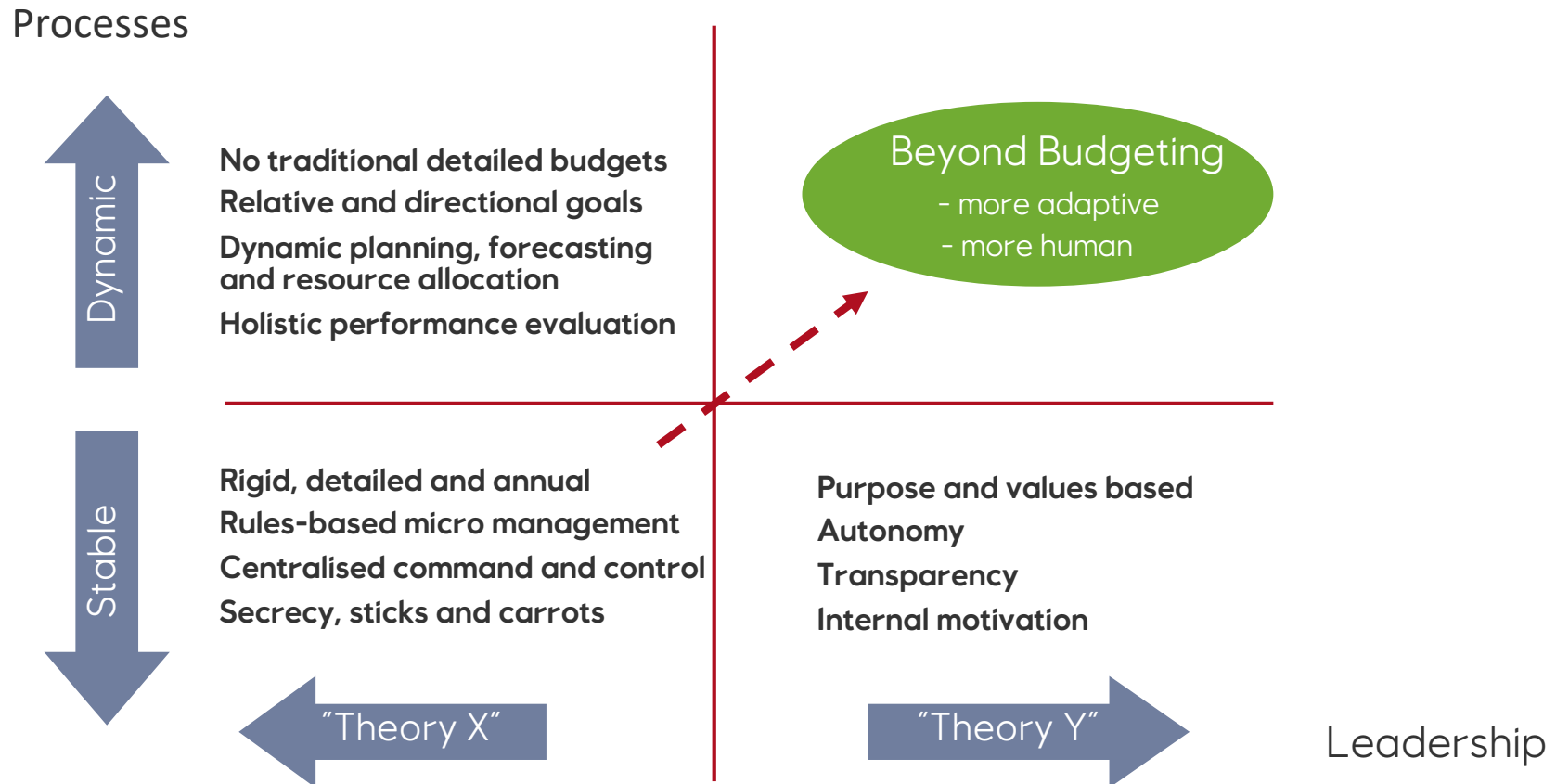
# The world has changed

- what about the way we lead and manage?

Business environment



# We must change both processes and 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)

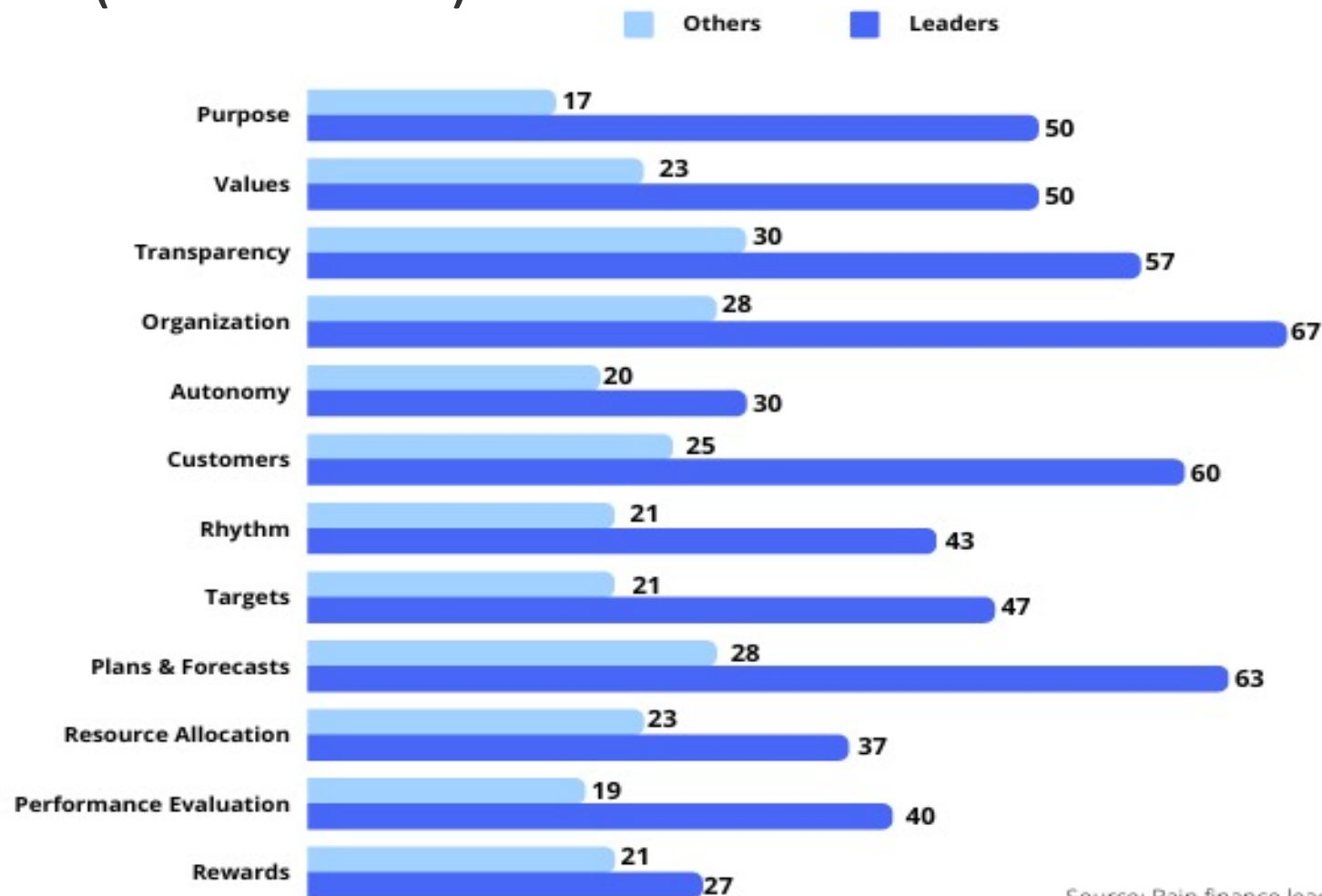
«The budget is  
in the best case,  
**totally  
unnecessary,**  
and in the worst  
case, **actively  
harmful**»

# Beyond Budgeting: Practitioners see significant benefits (Source BCG)





# Leading firms in financial planning are much more likely to apply the Beyond Budgeting principles (source Bain)



Source: Bain finance leaders survey. February 2022 (n=236)

Percentage of respondents that strongly agree that they adhere to these principles



# Getting started - solving the budget conflict

## Budget purposes

- Target
- Forecast
- Resource allocation

Same number  
Conflicting purposes



### 1. Separate



#### Target

An aspiration - what we want to happen



#### Forecast

An expectation - what we think will happen



#### Resource allocation

Optimization of scarce resources

Different numbers  
Different processes

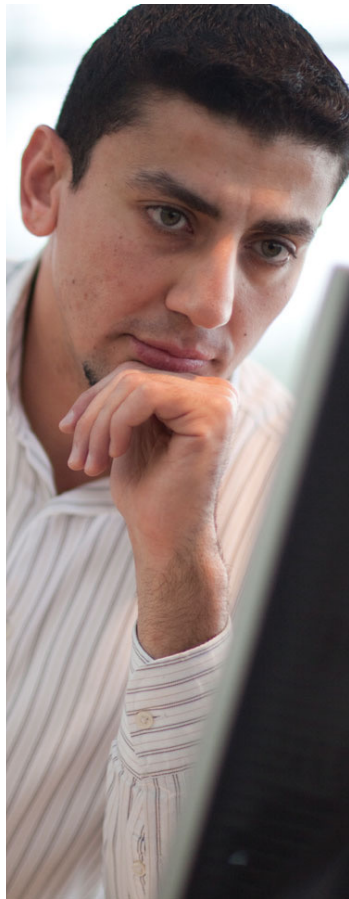
### 2. Improve

- 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

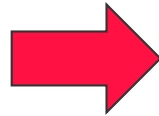
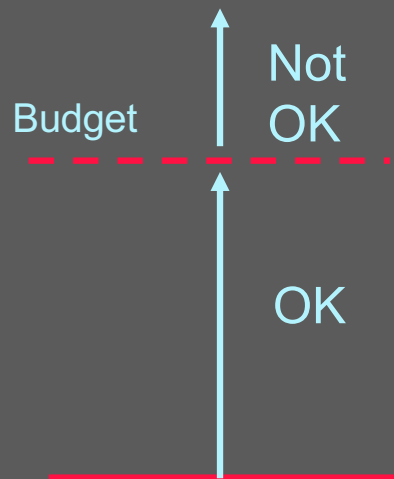
More event driven  
Less calendar driven

# Managing cost - the mindset required.....

– cost conscious from the first cent



Do I have a budget for this?

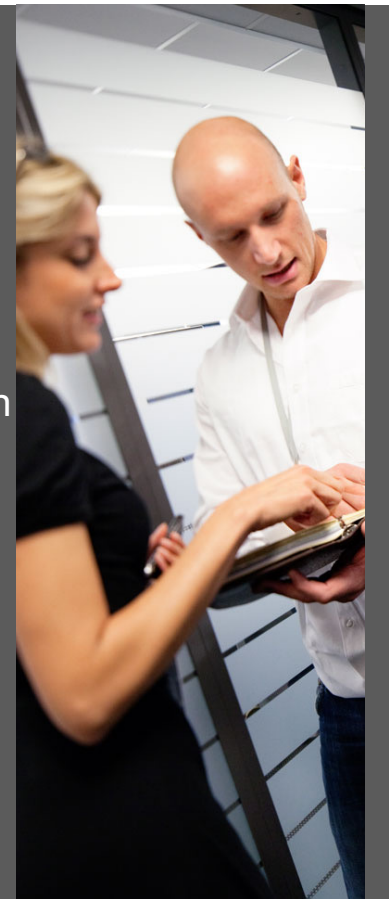
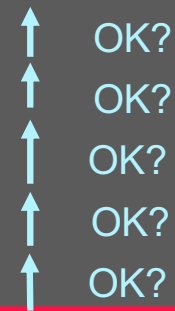


Is this really necessary?

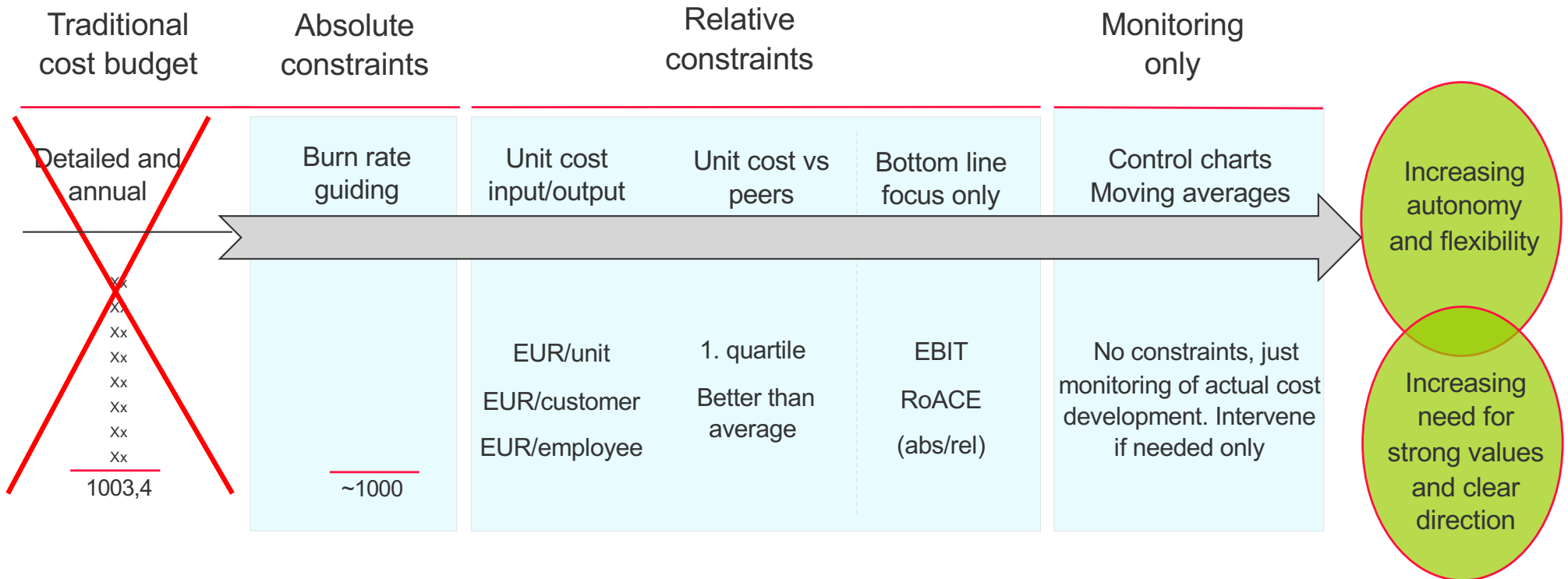
What is good enough?

How much value is this creating?

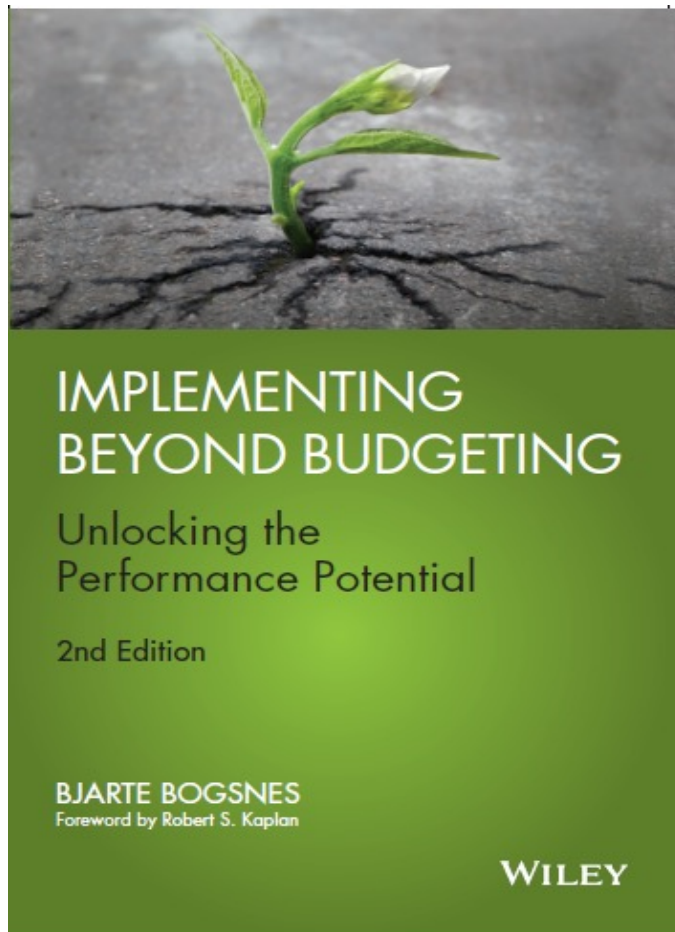
Is this within my execution framework?



# Tools for cost management



Supported by decision authorities and spending guidelines



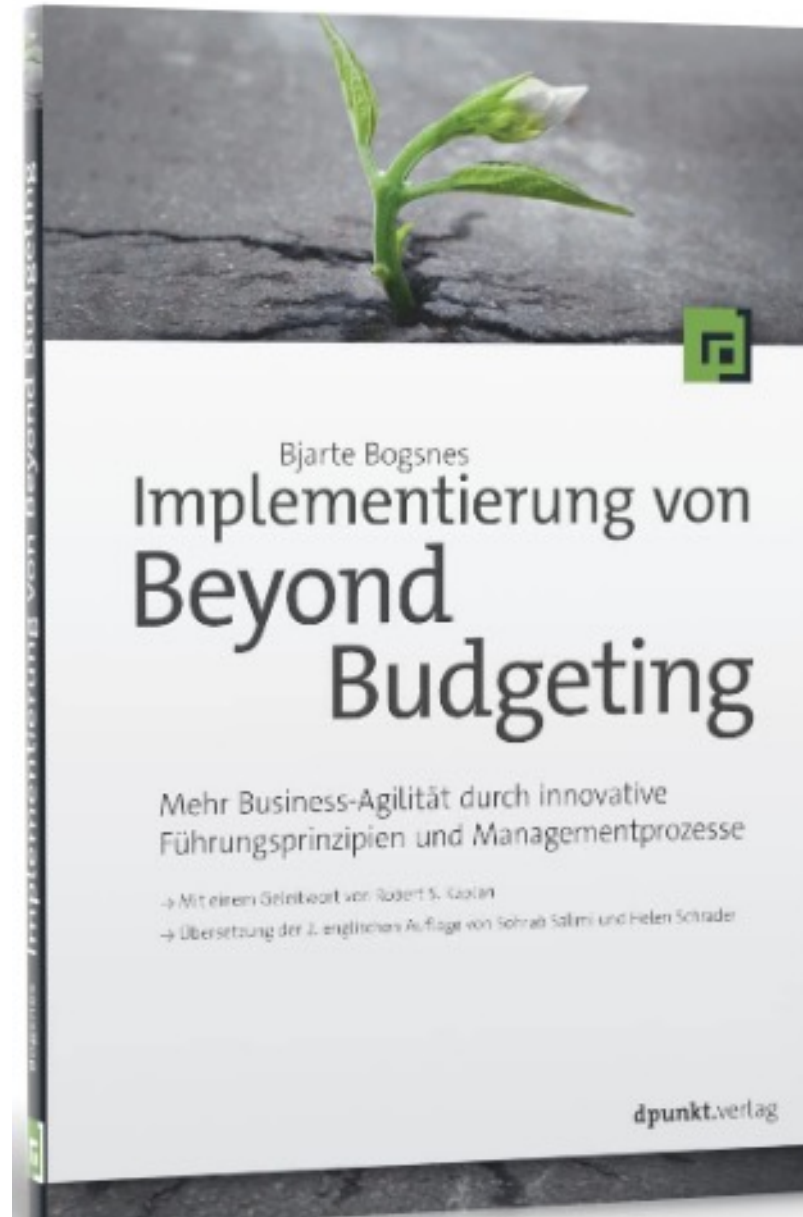
## Want to hear more?

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

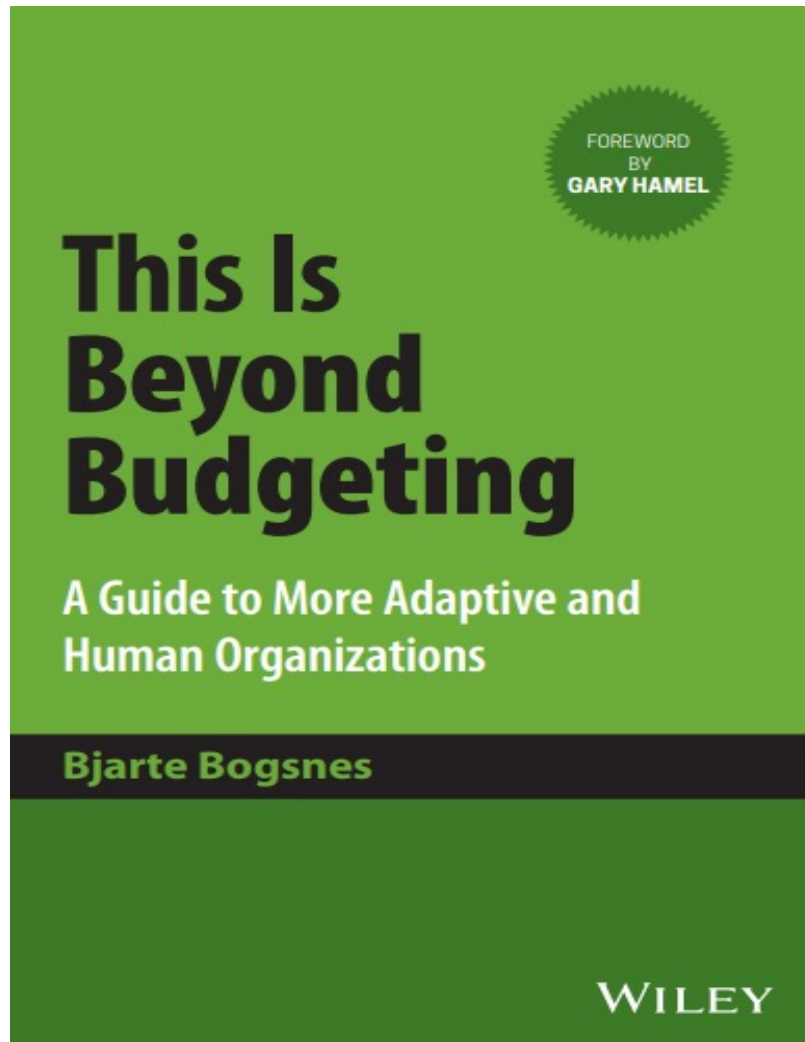
Wiley (US). Translated to German, Chinese, Japanese and Russian

*"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, professor,  
London Business  
School.

Thank you  
for listening!

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