The Time is Now:

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We need to look at other ways of thinking and operating in our companies.

Beyond Budgeting Principles

1. The安然 is based on the assumption that the future can be accurately predicted and managed.
2. Beyond Budgeting is about shifting the focus from management to leadership.
3. Beyond Budgeting is about enabling teams to make decisions based on real-time data.

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An alternative to traditional budgeting, Beyond Budgeting is about shifting the focus from management to leadership, enabling teams to make decisions based on real-time data.

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Leveraging Beyond Budgeting as part of Agile Enterprise Transformation

Orlando, FL
Agile2014
Bjarte Bogsnes & Jorgen Hesselberg
@bbogsnes @jhesselberg
Manifesto for Agile Software Development

We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:

Individuals and interactions over processes and tools
Working software over comprehensive documentation
Customer collaboration over contract negotiation
Responding to change over following a plan

That is, while there is value in the items on the right, we value the items on the left more.
There are many stories like this!!!
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Has Agile evolved to mean more than it was originally intended?
Agile ≠ Agility
Management Models have not kept up with new people and business realities
Agile has brought tremendous value to software development.
But Agile is silent on what it takes to bring agility at the enterprise level.
We need to look at other ways of thinking to expand agility in our companies
Enter Beyond Budgeting

Originating in Scandinavia, Beyond Budgeting is a set of management and leadership principles that helps organizations move from "command and control" to "empower and adapt".
## Beyond Budgeting Principles

<table>
<thead>
<tr>
<th>Change in leadership</th>
<th>Change in processes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Values</strong> - Govern through a few clear values, goals and boundaries, <em>not</em> detailed rules and budgets</td>
<td><strong>7. Goals</strong> - Set relative goals for continuous improvement, <em>don’t</em> negotiate fixed performance contracts</td>
</tr>
<tr>
<td><strong>2. Performance</strong> - Create a high performance climate based on relative success, <em>not</em> on meeting fixed targets</td>
<td><strong>8. Rewards</strong> - Reward shared success based on relative performance, <em>not</em> on meeting fixed targets</td>
</tr>
<tr>
<td><strong>3. Transparency</strong> - Promote open information for self management, <em>don’t</em> restrict it hierarchically</td>
<td><strong>9. Planning</strong> - Make planning a continuous and inclusive process, <em>not</em> a top-down annual event</td>
</tr>
<tr>
<td><strong>4. Organization</strong> - Organize as a network of lean, accountable teams, <em>not</em> around centralized functions</td>
<td><strong>10. Coordination</strong> - Coordinate interactions dynamically, <em>not</em> through annual planning cycles</td>
</tr>
<tr>
<td><strong>5. Autonomy</strong> - Give teams the freedom and capability to act; <em>don’t</em> micro-manage them</td>
<td><strong>11. Resources</strong> - Make resources available as needed, <em>not</em> through annual budget allocations</td>
</tr>
<tr>
<td><strong>6. Customers</strong> - Focus everyone on improving customer outcomes, <em>not</em> on hierarchical relationships</td>
<td><strong>12. Controls</strong> - Base controls on relative indicators and trends, <em>not</em> on variances against plan</td>
</tr>
</tbody>
</table>
Why do we budget?
What's wrong with this picture?

Same number, conflicting purposes
Separate the metrics to make them meaningful

Target → What we **want** to happen
Forecast → What we **think** will happen
Resource Allocation → The people and resource we **need** to make it happen
Budget

Forecast

Target

Resource Allocation
Separate & Improve

Target
Forecast
Resource Allocation
Inspiring & Motivating

Relative whenever possible
Separate & Improve

Target
Forecast
Resource Allocation
Unbiased - expected outcome

"Just enough" detail
Separate & Improve

Target
Forecast
Resource Allocation
Dynamic - No Annual Allocation

Trend Monitoring
Managing costs without budgets is the most challenging of the three purposes, but there are simpler alternatives.
challenging of the three purposes, but there are simpler alternatives

Traditional Cost Budget
Detailed and Annual

Relative KPIs
- Unit cost vs. Peers
- Unit cost input/output
- Bottom line focus only
- "USD/customer" "USD/employee"
- "1. quartile" "Better than average"
- EBIT RoACE (abs/rel)

If No KPIs
Strategic objectives or actions only
- "A simplified and cost-conscious way of working"
- "More video - less travel"
- "Reduce down-time at all our facilities"

Increasing Flexibility & Autonomy
Increasing need for strong values and clear direction

Select based on what works best in your business
Separation & Improvement:

Making your management model more responsive to change
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Beyond Budgeting + Agile
Beyond Agile
Characteristics of Organizations Going Beyond Agile

Vision - Not Hallucination
Experimentation - Don't try to "get it right" up front
Adaptability - Do you want to be Right or Successful?
Relentless Focus - Have an opinion; invest in what matters
Reject Quick Wins - at the cost of Enduring Success
Ownership - Success and Failure is on us
Companies on the Journey

Handelsbanken

telenor
JOTUN
cermaq
MAERSK
Coloplast
SEMCO
Simpplot
Unilever
VAGAS
Children’s Hospitals and Clinics of Minnesota
WHOLE FOODS
American Century Investments®
TOYOTA
SpareBank 1
DNV
Statkraft
Arla
ÖSSUR
NORS
dm
Tomkins
American Express
GUARDIAN
MORNING STAR
Park Nicollet
posten
miles.
BANK
AKADEMIKA HUS
Danfoss
Trisa
GLOBETROTTER TRAVEL SERVICE
SOUTHWEST
amesto
knowit
ahlSell
PLYMOUTH UNIVERSITY
Reitangruppen
HILTI
Farmavita
Egon Zehnder International
Jernia
DONG
MAINfreight
HCL
RMS
AS
HOLT
CAT
tw telecom
How Do You Get started?

Educate your executives!
Expand Agility Beyond Engineering and Product Management
Establish a cross-functional Agile Working Group (AWG)
And check out bbrt.org
Agile $\neq$ Agility
Beyond Agile
Acknowledgments/Sources:

- Bognes, "Implementing Beyond Budgeting"
- Hope, Bunce, Roosli, "The Leader's Dilemma"
- Agile Manifesto (www.agilemanifesto.org)
- Beyond Budgeting Roundtable (www.bbri.org)
- Emanual Leutze "Washington Crossing the Delaware"

This talk was created as part of work from the Supporting Agile Adoption program, Agile Alliance
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