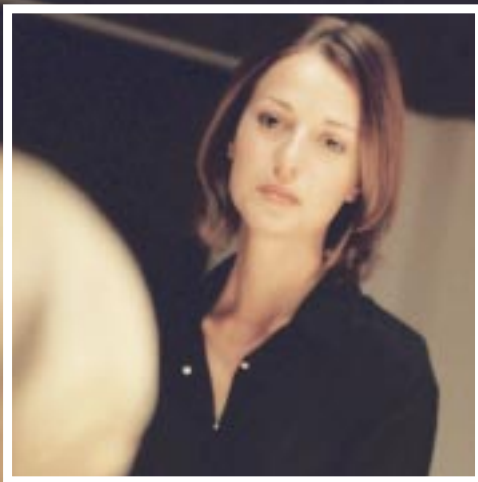


Order today  
and receive a  
**FREE FINANCE  
MANAGEMENT  
REPORT**

## Reinventing Planning and Budgeting for the Adaptive Enterprise

Tools and Techniques for reengineering the budgeting process

- Transform budgeting pain into corporate gain
- Create lean, effective planning and budgeting processes
- Solve the cultural challenges of developing an adaptive enterprise
- Implement workable alternatives to the annual budget
- De-couple incentives from annual fixed targets



"It is really helpful to have a guide like this to challenge some of your assumptions and to spur you to test the boundaries."

Graham Yerbury, Management Information Systems  
fc&a - E & P Segment, BP

"I'm very impressed with the report, specifically the fact that it shows how individual companies tackle the negative as well as the positive aspects of planning and budgeting."

Karin Wyss, Head, Business Group Planning  
UBS Wealth Management & Business Banking



# Transform Budgeting Pain into Corporate Gain

---

For the first time, **Reinventing Planning and Budgeting** provides a comprehensive guide to practical alternatives to the traditional budget, a migration plan and benchmarks for improvements. It shows how to undertake goal-setting, planning, resource allocation and performance-linked compensation using more appropriate frameworks and tools. Alternative tools and techniques are only part of the requirement. Find out how to bring about the all-important cultural changes in behaviour and working practices that make next-generation planning and budgeting possible.

Dissatisfaction with the annual budget is driving companies to a tipping point. It is not just the time, effort and cost eaten up by conventional budgeting. Once delivered, it undermines an organization's ability to adapt and respond to changing operating conditions and market forces. And when linked to rewards, the annual budget often distorts decision-making and management behaviour.

Designed for a business era that has long passed, the annual budget is now a constraint and liability.

Some organizations – private and public - have developed innovative solutions, even abandoning the budget altogether. Their objectives: to create more responsive and flexible forms of planning, forecasting and performance management. Their reward: better business control and greater responsiveness to a roller-coaster business environment. Plus dramatically improved business results.

Use this report to reinvent planning and budgeting processes in your organization for improved competitiveness and bottom-line performance.



## Principles, lessons and best practice:

---

Use this Report to understand best practice in identifying the scope for transformation - as well as the most effective way of implementing change. Find the answers to questions such as:

What are the kinds of benefits that can realistically be expected from reengineering the budget?

Is it best to take an evolutionary or radical approach to improving planning and budgeting?

What is the benchmark for effective planning and budgeting?

Who should lead planning and budgeting projects?

What alternative models are there to replace the annual budget?

Does control go out of the window when you abandon the budget altogether?

How can rewards be better tied to performance to avoid distorting behaviour?

What does beyond budgeting really mean?

What is the best way to ensure that planning and budgeting is aligned to strategic goals?

What are the business goals that should frame next-generation planning and budgeting?

How do you ensure you balance long- and short-term goals?

What are the dangers of shifting from budget-based incentives to other reward models?

What are the cultural pitfalls? Are there reliable ways of avoiding them?

How long does it take to overhaul planning and budgeting?

Is there a trade off between faster, leaner planning cycles and decision quality?

What role should senior managers play in the reengineering process?

How do you gain company-wide buy-in to reengineered planning and budgeting?

# An Agenda for Change

---



**Reinventing Planning and Budgeting** reveals the urgent need to change the budgeting process. It explains why many believe that the conventional budget is an annual performance contract that is no longer fit for purpose in an era characterized by rapid market/sector changes that create both strategic threats and opportunities.

The report investigates the purpose of the traditional budget in terms of:

- 1 Goal setting.
- 2 Resource allocation.
- 3 Planning.
- 4 Performance evaluation and reward.

## Creating the new Adaptive Vision

Based on practitioner experience and expert advisor input, this report describes the importance for senior management of developing an 'adaptive' performance vision for the organization.

An adaptive organization is defined as possessing a number of external and internal performance characteristics:

- It continually reconfigures itself to remain aligned to external customer, market, economic and societal requirements.
- Internal responsibility for delivering to those requirements is devolved to the appropriate organizational level.

This report stresses the value of senior management championing an adaptive approach, especially given the cultural and process challenges ahead.

## An Adaptive Model: Cultural Challenges

The greatest barriers to abandoning, or re-engineering, the budgeting process and creating an adaptive organization are typically not structural, but cultural.

This report identifies the major cultural challenges you will face when reengineering the budget, and how they have been tackled by leading organizations. Topics covered include:

- Selling the message to senior management
- Selling the message to the finance function
- Selling the message to line managers
- Overcoming resistance from managers who are 'good' at working the budgeting process.

## Decoupling the Bonus from Annual Targets

Possibly the greatest obstacle to transforming the budget is its link to the annual incentive-compensation process. This report reveals how a number of leading organizations have recast their bonus systems so that they are no longer linked to annually negotiated performance targets.

It examines how bonuses can be linked to other frameworks such as the Balanced Scorecard or EVA, but also how some companies have fully decoupled individual (as opposed to team or group) incentives from targeted outcomes.

## Alternatives to the Conventional Budget

Illustrated with many examples, this report reveals the most frequently used options to the conventional annual budget, including:

- Setting non-negotiable top-down targets that are supported by bottom-up planning
- Assessing performance based on relative performance and not performance to a budget
- Quarterly rolling financial forecasts
- A more dynamic approach to resource allocation that is not based on entitlement.

## Reinventing the Budget to Support Strategy

Improving the annual budgeting cycle is one aspect of a wider performance management transformation to support better strategy management.

**Reinventing Planning and Budgeting** reveals how the budgeting process can be better aligned to the strategy planning/implementation process by implementing better mechanisms for measuring performance and prioritizing resource allocation. It explains the role of quarterly strategic reviews to direct resource allocation and inform rolling forecasts and the use of the balanced scorecard to align the budget with strategic efforts.


## Looking ahead and a Model for Change

**Reinventing Planning and Budgeting** includes a model for managing the migration to an adaptive organization and the adoption of re-engineered planning and budgeting processes and practices.


The report also features twenty action-oriented questions to help you to navigate your journey toward being an adaptive organization.

# Inside stories of planning and budgeting success

---



**Reinventing Planning and Budgeting** features eight in-depth case studies based on exhaustive interviews:



At **Boston Scientific** the pain of dealing with the annual budget - a dysfunctional process - and its wasteful and demotivating consequences finally outweighed the daunting prospect of change. The company's response was to adopt a quarterly budgeting process supported by a 12-month rolling forecast. Since then the company has enjoyed a period of excellent growth significantly supported by the greater precision with which it is now able to plan and target improvements. How it renegotiated performance-based compensation and involved managers in this radical break with the past are some of the revelations contained in this case study.

**Henkel** was not prepared to abandon the budget but was concerned about the cost and manpower that the process was taking up. The company took the decision to develop a more responsive budgeting system based on a streamlined, integrated approach across all divisions of the business. Find out how Henkel achieved the combined benefits of lower costs, faster planning and budget cycles and improved output quality.

The global engineering group **Tomkins** has abandoned the budget in favour of year-on-year improvement targets based on 10 per cent revenue growth, 10 per cent sales growth and 10 per cent ROI. This has been implemented with a range of processes and practices that represent a simpler, more straightforward approach to planning and resource allocation.

**Statoil**, the Norwegian-based integrated oil and gas company, will have completed the replacement of the annual budget by 2007. In its place, there will be a new system built round the Balanced Scorecard and other planning and performance-management tools. The company has also developed innovative solutions to resource allocation and performance rewards.

**Herman Miller** concluded that its reliance on traditional planning and budget methods was simply not delivering the kind of results the company wanted. Its search for an alternative led the leading furniture maker to Economic Value Added, EVA. At the same time, the company moved to a quarterly planning process and linked compensation to EVA performance. Find out how the company made these dramatic changes in their processes and the challenges this raised through a corporate-wide programme of employee involvement and the new role of the budget under this new regime.

**Scottish Enterprise** were determined to escape the limitations of the annual performance contract that was tied to the annual budget. With support from the CEO, the organization developed a new approach, embodying many of the principles developed by the Beyond Budgeting Round Table group. This case study explores the ways in which the company developed its own solutions to planning, forecasting and control, as well as the results of this transformation.

**Nordea**, the financial services company, pioneered an Integrated Planning and Performance Management Model. At the core of the new model is a balanced scorecard, quarterly rolling financial forecasts and services level agreements. The case study explains the reasons why Nordea abandoned the traditional annual budget and how the new planning and performance management model provides the basis for management to control and run the business.

**UBS Global Wealth Management and Business Banking** saw the traditional annual budget as being at odds with its vision of developing an entrepreneurial business. In its place, the bank introduced rolling financial forecasts supporting a five-year strategic plan. This case study looks at the challenges to find a workable incentive/compensation scheme, the implications for individual responsibilities and accountabilities, empowerment and leadership.

## Free Sample Best Practice Case Study

Reinventing Planning and Budgeting features numerous original international case studies – each with valuable lessons for your own organization.

Use their first-hand experience to seek out best practice strategies, adopt successful methodologies and much more...

Download your free sample case study from this report at:  
[www.business-intelligence.co.uk/reports/planbudget](http://www.business-intelligence.co.uk/reports/planbudget)

# Pay-offs and returns

Armed with this report, you can be prepared for the journey ahead: discover how others have solved the problems of moving from the old to the new order. Business Intelligence's research distils the experience of leading companies to provide you with the benefit of the insights they have gained. In addition, there's advice from experts who have helped organizations to implement these new ways of working.

How the innovators tackled their projects, the lessons they learnt and the new processes and practices they adopted are all mapped out in detail here to provide you with a comprehensive guide to transforming planning and budgeting. The report gives you the inside stories of companies that have transformed planning and budgeting. Case studies illustrate the benefits to be gained:

- Boston Scientific saw a dramatic 62 per cent rise in global sales with greater predictability in performance after the introduction of a 12-month rolling plan updated quarterly
- Herman Miller attributes its compound growth rate of 14.6 per cent since 1996 largely to its focus on Economic Value Added, EVA, which also involved a wholesale change to the role of the budget
- Henkel successfully cut its planning costs from €4.75 million to €2.9 million in 2005, and reduced its FTE requirement from 89 to 55 after reengineering its processes
- UBS's search for a superior way of implementing strategy led to the abandonment of its budget and the introduction of quarterly re-forecasting. Improved resource allocation, sharper decision making and reduced waste are three of the benefits the bank has chalked up.

These - and other companies covered in detail in this Report - have benefited from achieving a tighter grip on their businesses and better allocation of scarce resources. All claim bonuses from freeing up management time to concentrate on the business issues that really matter.

The dominant motivation for companies in changing their processes has been inspired by the ambition of raising their performance. It is not so much the desire to eradicate the inefficiencies of traditional budgeting that has driven them to change but the conviction that there are real opportunities to become more responsive and adaptive through innovative approaches to planning and budgeting.

To view a complete contents listing visit

[www.business-intelligence.co.uk/reports/planbudget](http://www.business-intelligence.co.uk/reports/planbudget)

## Chapter 1: An Agenda for Change

Research Findings  
The Strengths of the Annual Budgeting Process  
Accountability  
Weaknesses of the Annual Budgeting Process  
Structural Shortcomings  
Goal Setting  
Forecasting  
Resource Allocation  
Process Shortcomings  
Balanced Scorecard  
Behavioural Problems  
Incentive Compensation  
Devolved Responsibility  
Self-assessment Checklist: the current status of the budget

## Chapter 2: Creating an Adaptive Organization

Defining an Adaptive Organization  
Appropriate Devolution  
A Dynamic Tension  
Continuous Learning  
An Adaptive Vision  
Senior Management Commitment  
A Compelling Case

## Chapter 3: Alternatives to the Conventional Budget

Case Overview  
Disentangling the Budgeting Process  
An Interlocking System  
Managing with Adaptive Processes: six principles  
Self-assessment Checklist

## Chapter 4: Reinventing the Budget to Support Strategy

Aligning Strategy with the Budget  
The Balanced Scorecard  
Strategic and Operational Budgets  
The Balanced Scorecard and Beyond Budgeting  
Shareholder Value Analysis  
EVA Explained

## Chapter 5: Moving to an Adaptive Model – challenges

Culture: the most difficult challenge  
Research Findings  
Myriad Cultural Barriers  
The Role of Senior Management  
Senior Management Resistance  
Middle Management Buy-in  
Devolved Decision-making  
The Importance of Trust  
Teamworking  
The Support of the Finance Function  
Turf Protection  
More Enlightened Professionals

## Chapter 6: Decoupling the Bonus from Annual Targets

The Downside of the Budget/Bonus Linkage  
A Ceiling and a Floor  
The Problem of Negotiation  
Relative Targets  
Shareholder Value Techniques  
Economic Value Added  
Nine Principles of EVA-based Incentive Compensation  
Aligning Compensation to the Balanced Scorecard  
Difficulties in Scorecard/Compensation Link  
Weighting Perspectives  
Scorecard-based Plans  
Quarterly bonuses

## Chapter 7: Conclusion and Agenda for Change

Future Developments  
No Change Expected  
Some Change Expected  
Significant Change Expected  
Key Questions for Becoming an Adaptive Organization

## Chapter 8: Eight Case Studies

Boston Scientific  
Henkel  
Herman Miller  
Nordea  
Scottish Enterprise  
Statoil  
Tomkins  
UBS – Global Wealth Management and Business Banking

# 5 easy ways to purchase your report



Please call us on +44 (0)20 8971 1720



Fax a photocopy of this form to us on +44 (0)20 8971 1721



Online at [www.business-intelligence.co.uk/reports/planbudget](http://www.business-intelligence.co.uk/reports/planbudget)



Email: [orders@business-intelligence.co.uk](mailto:orders@business-intelligence.co.uk)



Return this form by post to: Business Intelligence, 4th Floor, The Courtyard, 7 Francis Grove, Wimbledon, London, SW19 4DW, UK

## Your Order Details

### Reinventing Planning and Budgeting



#### Single-user PDF (delivered by email)

Price: £845 (Inc VAT £992.88)  
\$1645 (Inc VAT £1932.88)  
€1245 (Inc VAT £1462.88)



#### Single-user CD-ROM plus free paper copy

Price: £995 (Inc VAT £1169.13)  
\$1945 (Inc VAT \$2285.38)  
€1495 (Inc VAT €1756.63)

### Select one of the following as your free finance report:

- Value Creation: Building Tomorrow's Finance Function
- Building and Developing a Finance Scorecard
- Financial Shared Services
- World Class Finance

For detailed information on these reports visit [www.business-intelligence.co.uk/financereports](http://www.business-intelligence.co.uk/financereports)

### Free Postage & Packaging

Prices and details correct at time of press, may be subject to change.

## Customer details

Dr/Mr/Mrs/Ms/Miss \_\_\_\_\_

Job Title \_\_\_\_\_

Company Name \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Country \_\_\_\_\_

Telephone Number \_\_\_\_\_

Fax Number \_\_\_\_\_

Email \_\_\_\_\_

Nature of Business \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

## Payment details

I enclose a cheque/draft made payable to Optima Publishing Ltd for £ / \$ / € \_\_\_\_\_

By Direct Bank Transfer Bank Details:  
NatWest Bank, 16 Wimbledon Hill Road Branch,  
Wimbledon, SW19 7ZD, London UK. Sort Code 60-24-06  
Account No: 86506897 Swift Code: NWBKGB2L  
IBAN Code: GB16NWBK60240686506897

By Credit Card Please charge £ / \$ / € \_\_\_\_\_

to my    

Card Number:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Expiry Date

VAT Registration No. (EU Customers Only)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Cardholder's Name (please print)

\_\_\_\_\_  
\_\_\_\_\_

Signature

Card billing address (if different from company address)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please invoice me in £ / \$ / €. NB: payment will be required before the report is dispatched.

Please note that we are unable to provide refunds on electronic products including PDFs or online subscriptions.

### Data Protection

Any relevant information supplied by you will be held on the Optima Media Group database and may be used by us to keep you informed of our range of products and services related to your business needs. Please tick these boxes if you do not want to be contacted by e-mail  direct mail  telephone  We may also make your details available for use by other carefully selected companies in the UK and other countries for marketing purposes. If you do not wish your details to be passed to other organizations, please tick this box  Alternatively, write to our Database Manager at Optima Media Group, 4th Floor, The Courtyard, 7 Francis Grove, Wimbledon, SW19 4DW, UK

Please quote this reference when purchasing online or by telephone:

UK VAT registration  
No. GB 796 2529 82

**businessintelligence**