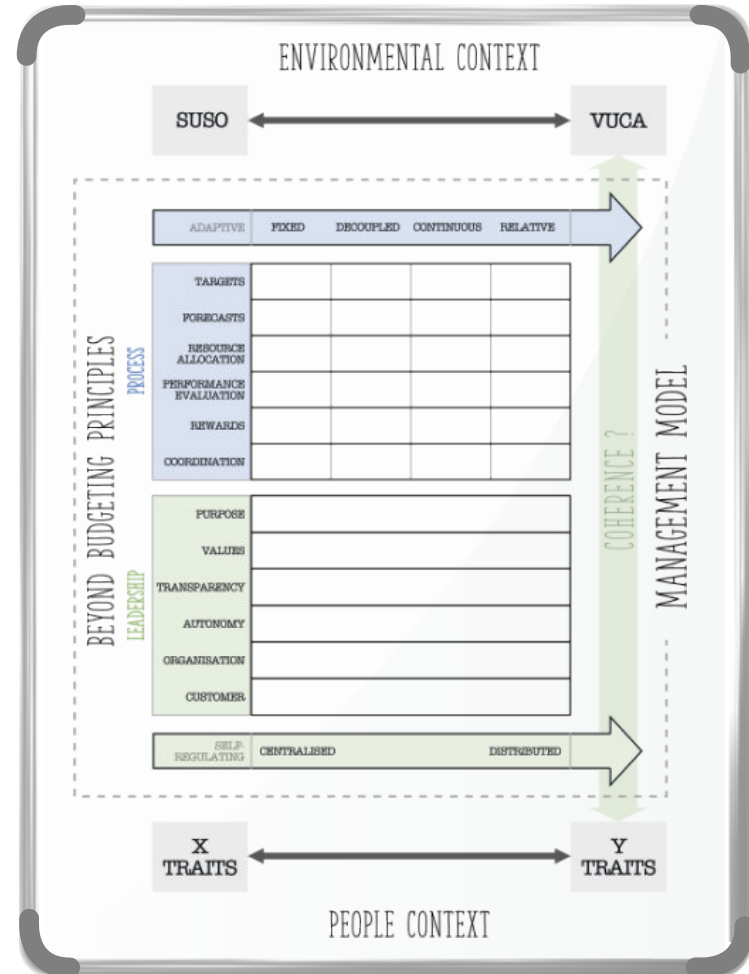


# HOW WE CAN HELP YOU TO BREAK FREE...

The 12 Beyond Budgeting Principles describe a **direction of travel** for any organisation wanting to improve their Management Model...

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



...and the Viable Map provides a framework to help them to **orientate** themselves in their own business context and **translate** the principles into action.

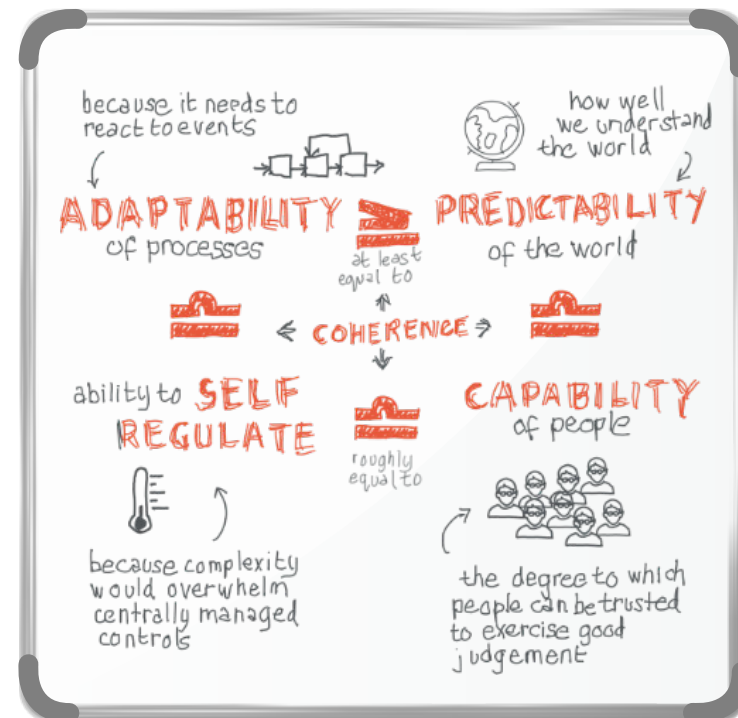
WHAT MAKES  
A MANAGEMENT  
MODEL VIABLE?

# WHAT MAKES A MANAGEMENT MODEL VIABLE

**At the heart of the Viable Map are four key concepts...**

- 1 To survive and thrive an organisation needs to have sufficient **flexibility** to **adapt** quickly in response to changes in its environment.
- 2 Increased **flexibility** requires an organisation to be able to **self-regulate**.
- 3 To be able to **self-regulate** an organisation needs **capable, trustworthy people** to make good decisions, quickly, and without top-down direction.
- 4 **Capable, trustworthy people want to contribute** to the success of the organisation so their worth needs to be acknowledged and talents applied to meaningful ends.

**VIABILITY** definition:  
The ability to live and work successfully...to survive and thrive.

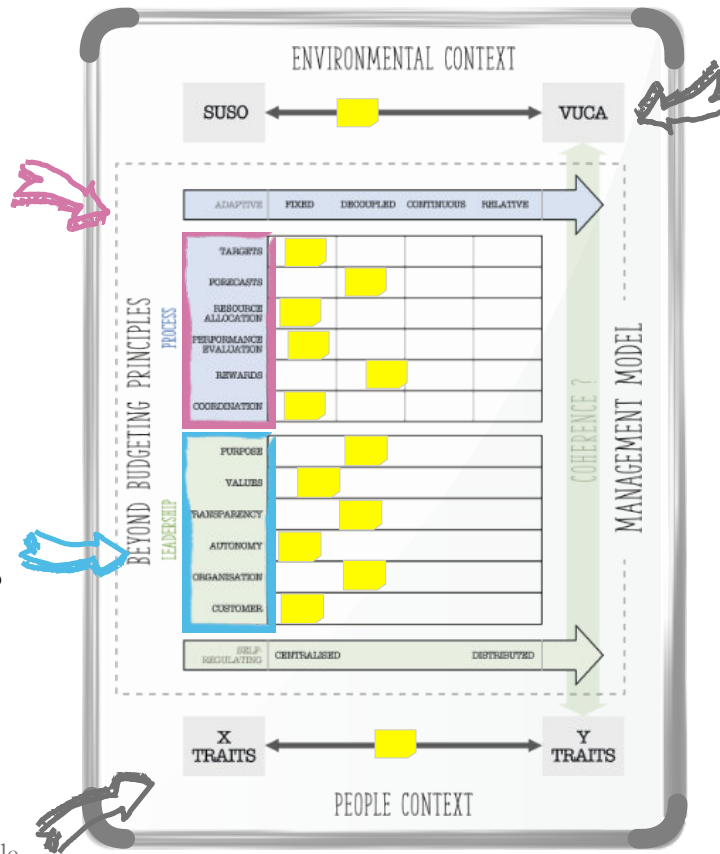


So it involves **OUTSIDE** and **IN**,  
**PEOPLE** and **PROCESSES**

# WHAT MAKES A MANAGEMENT MODEL EFFECTIVE

The Beyond Budgeting principles identify the six key characteristics of management processes that can make an organisation more adaptable...

...and the six key characteristics of leadership that provide the ability for it to self-regulate... with minimal need for top down idirection.



Assumptions about the world

Assumptions about people

...and one **BIG** idea: that...

...to be effective the Management Model must be **COHERENT**...



## COHERENT

definition:  
Logically consistent.  
Of a whole.

...which means that the positions adopted in the process 'space' of the Viable Map and the leadership 'space' need to be sufficiently well aligned not just with each other but also with the environmental and human contexts.

# HOW THE VIABLE MAP HELPS

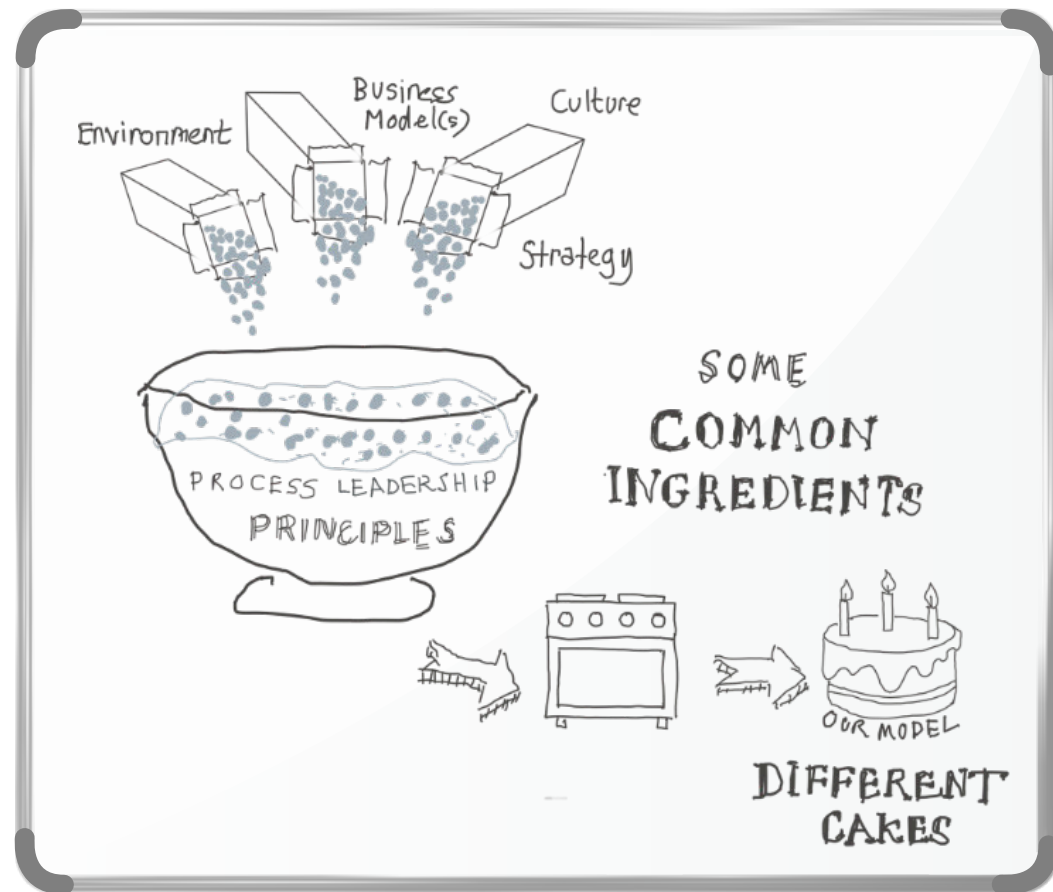
These ideas are baked into the Viable Map... a tool that helps organisations build a Management Model that is right for them.

**RECIPE** definition:  
A set of **instructions** for making something from various ingredients.

It is **NOT** a recipe...

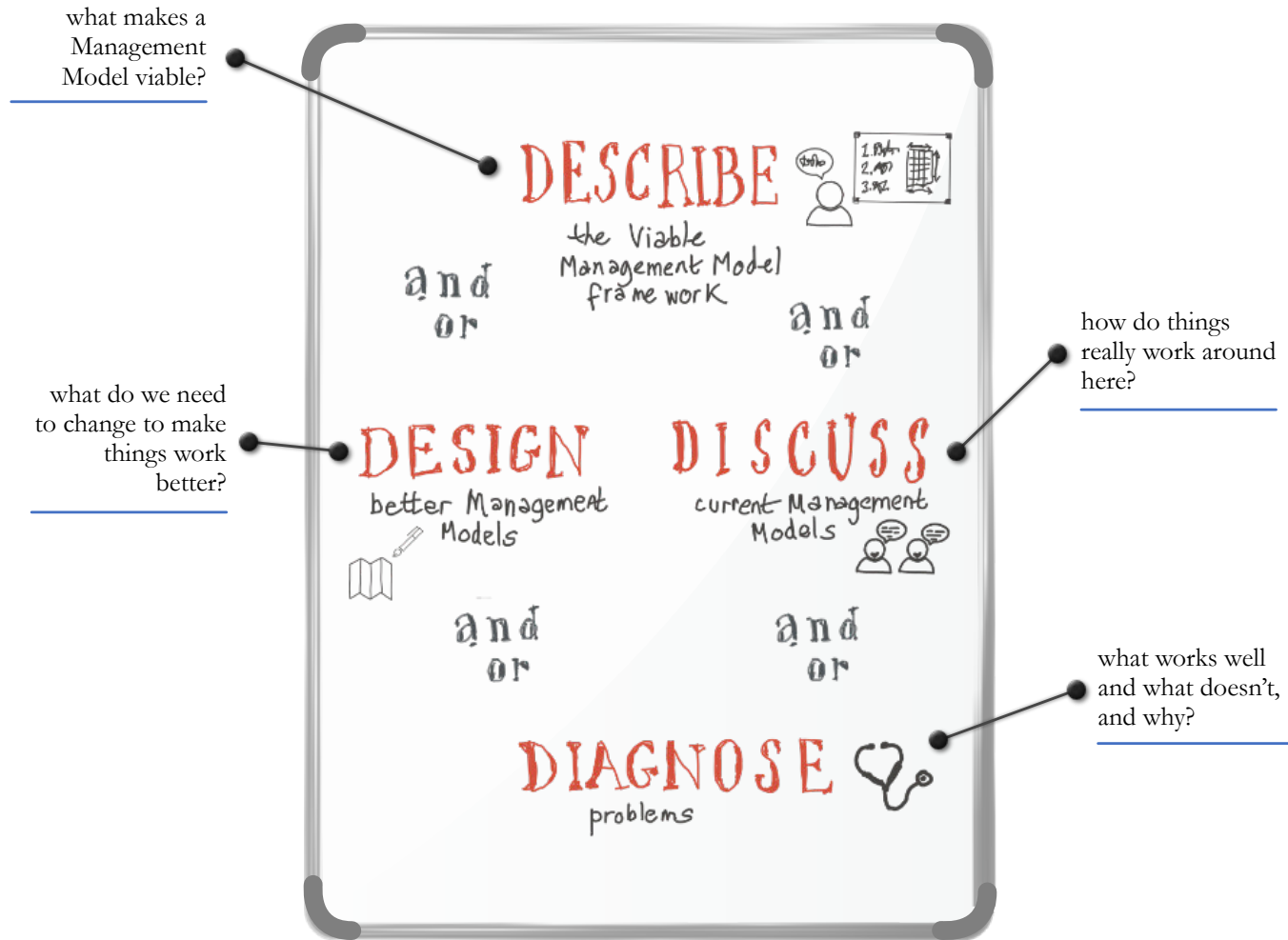
...but it does provide a framework to help you combine the key ingredients in an effective way:

...the Beyond Budgeting Principles, the assumptions made about the nature of the environment and of the capabilities of people, as well as the current strategy, business model(s) and so on **that are unique to a particular business.**



WHAT CAN  
THE MAP  
BE USED FOR?

# THE VIABLE MAP HELPS ANSWER MANY QUESTIONS



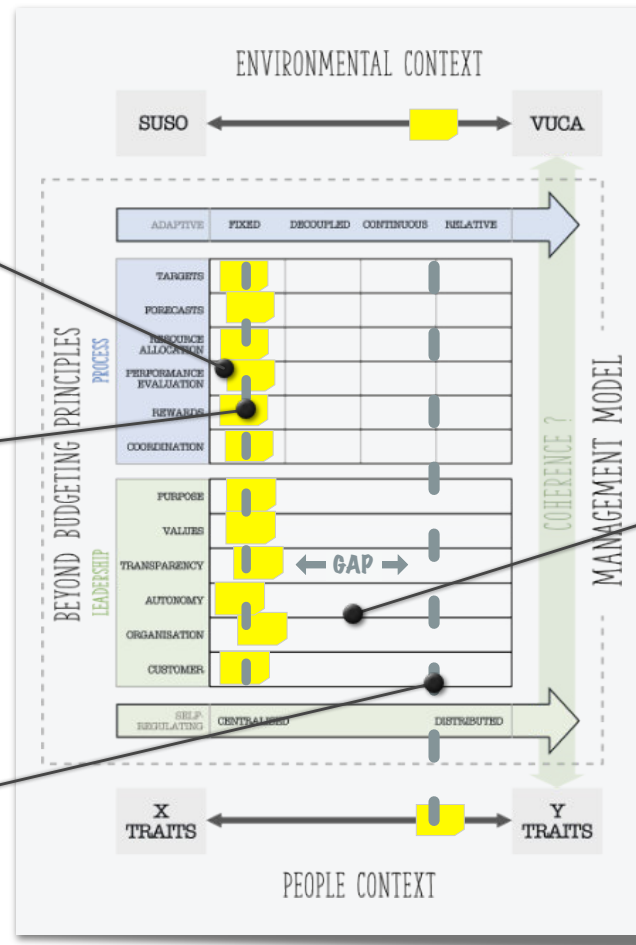
# FOR EXAMPLE...

...the framework makes it easy to DESCRIBE and DISCUSS the traditional Management Model and DIAGNOSE why many organisational problems can be attributed to it.

**1** The current position of the process principles reflects traditional 'fixed' annual budgeting, and that of the people principles that of 'top down' leadership based on functional hierarchies.

**2** The good news is that this Management Model is internally coherent – as represented by this dotted line.

**3** The bad news is that there is a misalignment with the volatility of the outside world. Also, employees that can be trusted to make decisions are being managed through compliance.



**4** The gap between the form of the Management Model and its context creates many familiar problems:

- INFLEXIBILITY – because the model generates a plan based on predictions that rapidly become out of date
- BUREAUCRACY – because every element of the plan is bound tightly together and compliance to the plan is closely monitored
- DYSFUNCTIONAL BEHAVIOUR – because clever, capable people work out ways to subvert the system to provide themselves with the flexibility they need to respond (e.g. by 'sandbagging' budgets) and game the system to maximise personal gain (by negotiating targets that they can easily meet)...which results in closer supervision, more bureaucracy and so on...

Which is why so many businesses recognise the need to CHANGE...and by identifying the future position of the principles the map can be used to help DESIGN a Management Model tailored to the context and aspirations of your organisation.



# BUILDING BLOCKS. 1

...what is the nature of the contextual variables for your

- organisation
- business environment
- people



**if the world  
is more...**



FROM

TO

S

STABLE...changes are infrequent and small

V

VOLATILE...the environment is turbulent

U

UNDERSTOOD...there is a high degree of experience and knowledge

U

UNCERTAIN...there is limited knowledge

S

SIMPLE...cause and effect are easy to establish

C

COMPLEX...the relationship between cause and effect is not straightforward

O

OBVIOUS...the meaning of data is always clear

A

AMBIGUOUS...data can be interpreted in many different ways

**processes need  
to be more...**



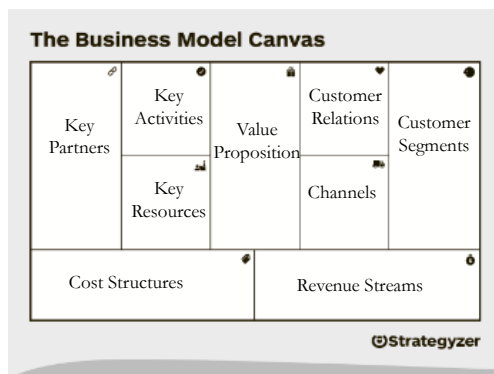
## two key questions:

1. **IMPORTANCE:** What are your organisation's Key Success Factors? What aspects of our external environment impact the most important decisions you make?
2. **NATURE:** Where do these key environmental variables sit on the SUSO-VUCA scale?

### MACRO LEVEL

#### PESTLE

- P** olitics and regulation
- E** conomic factors
- S** ocial and cultural issues
- T** echnology
- L** egal
- E** nvironment



### MICRO LEVEL

#### RIVALRY (Porter's 5 forces)

- E** ntries
- S** ubstitutes
- S** uppliers' power
- B** uyers' power

#### COLLABORATION

- P** artners
- S** ynergies
- N** etworks



### CYNEFIN Framework

#### COMPLEX

Nature of cause and effect linkages difficult to define.

#### COMPLICATED

Cause and effect known but many intricate linkages.

#### CHAOS

No clear evidence of cause and effect.

#### OBVIOUS

Clear cause and effect linkage.

What qualities of the outside world most impact the business model... and how?

Dave Snowden



# BUILDING BLOCKS.

29

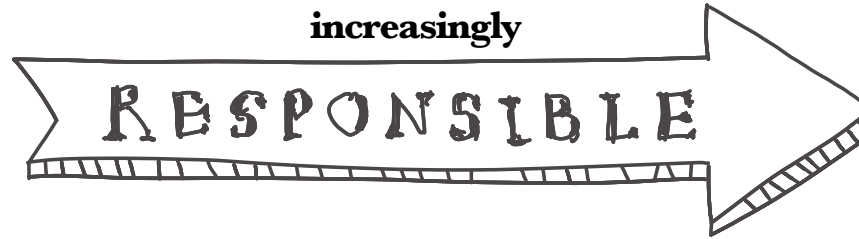
...what assumptions can we make about the people employed by the organisation?



# PEOPLE

INTERNAL CONTEXT

is the typical employee...



X TRAITS

Y TRAITS



**LACK:**  
...of economic resources  
and security

NEEDS

**GAIN:**  
...of autonomy, meaning  
and personal development

**LOCAL:**  
...based on individual

NORMS

**GROUP:**  
...based on collective

**LIMITED:**  
...assumed to be fixed

CAPABILITY

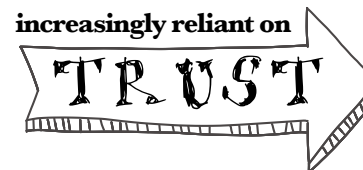
**GROWTH:**  
...assume potential exists

**LOSS AVOIDANCE:**  
...transactional and risk  
averse behaviour

FOCUS

**GOAL:**  
...ideal and gain seeking  
behaviour

requiring direct supervision



capable of self-regulation

**the key question:** how to best characterise your people...or your assumptions about them?

## Agency Theory

- Michael Jensen et al. -

Agency Theory assumes that people are rationalising, self-interested optimisers and so are extrinsically motivated and that the goal of the firm is to maximise profit.

As a result there is a need to ensure that the interests (rewards) of shareholders (Principals) and managers (Agents) are aligned.



## Hierarchy of Needs

- Abraham Maslow -

Motivation can be represented as a hierarchy through which people can move.

They can be motivated by a deficiency of:

- money
- security
- esteem



or by the desire for growth:

- intellectually
- aesthetically
- as a person (self-actualisation)

## Regulatory Focus Theory

- E. Tory Higgins -

People differ in the way they approach goals.

A prevention focus values:

- obligation and duty
- risk avoidance
- security



A promotion focus values:

- ideals and hope
- opportunity seeking
- development

People will be more motivated when processes are aligned with their personal orientations.

## Theory X and Theory Y

- Douglas McGregor -

Leaders differ in their assumptions about people, which affects the way they manage. Specifically:

- the level of ambition
- the desire for responsibility
- how self interested they are
- what motivates them (extrinsic or intrinsic rewards)
- the level of competence
- Etc.



## Self-Determination Theory

- Edward Deci & Richard Ryan -

Intrinsic motivation derives from the need for:

- autonomy
- belonging
- development



## Learning Mindset

- Carol Dweck -

Teachers and learners can adopt different mindsets which affect how they respond to challenges

A fixed mindset assumes limited capability for learning

A growth mindset assumes that every one has the potential to learn given perseverance and support.



# BUILDING BLOCKS.

3

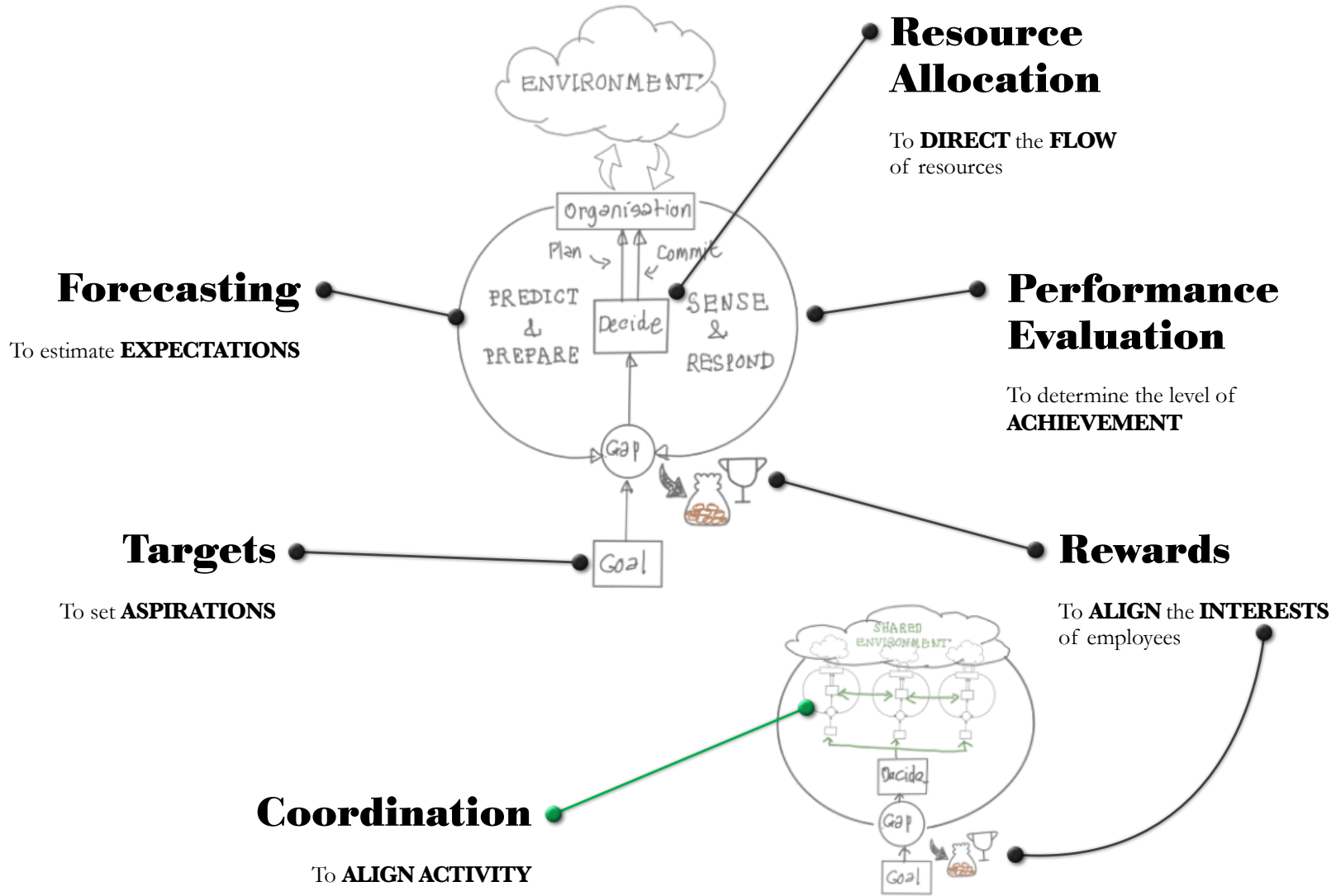
...what are the key steering processes and what purposes do they serve?



# OVERVIEW

Processes and their different  
**PURPOSES**

## MANAGEMENT PROCESSES

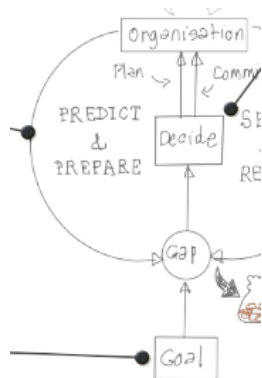
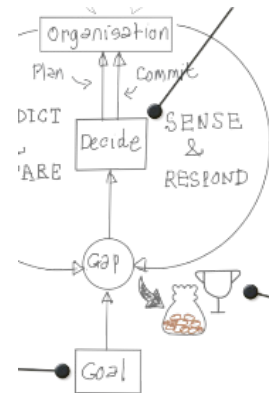




# EXPLANATION

All steering systems have the same basic structure, built on two information loops.

First there is the **SENSE AND RESPOND** loop where we acquire information on the PERFORMANCE of an organisation (or a team or an individual) and EVALUATE it with reference to a GOAL or target. As a result we may choose to take action to get a better outcome which involves ALLOCATING RESOURCES.



But since this loop is often too slow we can use FORECASTS of future outcomes to take action. Plans to reallocate resources are based on the outcome of this process, but commitments may also be made in anticipation of a need.

Since similar processes take place at many levels and in other business areas and at different levels, additional activity is required to make sure that different activities in different parts of the organisation are **COORDINATED**. Finally, the nature of the response to steering information is modified by the size and nature of the **REWARDS** available.

But while all six processes are part of any steering system, **how their individual distinct purposes are fulfilled can be very different**, and this affects how **ADAPTIVE** the system can be.



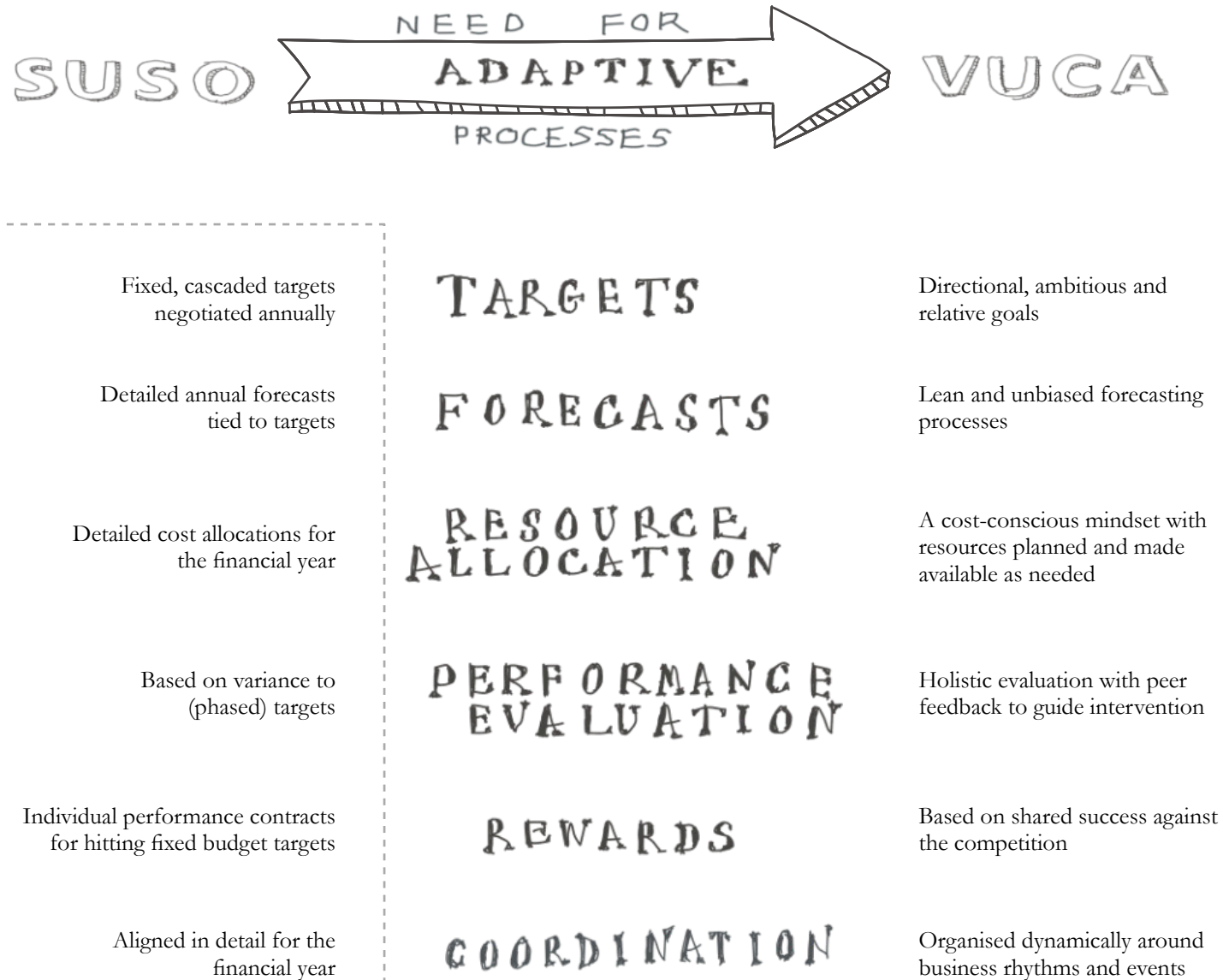
# BUILDING BLOCKS.

4

...how do the characteristics of processes need to change to become more adaptive?



## Traditional Budgeting



# SOME IMPORTANT DEFINITIONS

Target	A <b>desired level of performance</b> OUT of all or part of an organisation. Targets are ASPIRATIONS and can be defined in many ways,; as numerical output values for variables or as outcomes. They can also be expressed as ranges, rates of change and relative to external or internal reference points. ‘Goal’ and ‘objective’ are sometimes used as synonyms.
Forecast	An EXPECTATION of the <b>future value of any kind</b> of variable used to inform interventions in the system, based on assumptions derived from a set of planned actions. Forecasts are not predictions since they are always ‘wrong’ and in the longer term can be invalidated by changes to actions informed by the forecast itself.
Resource Allocation	The process of <b>regulating</b> what goes IN to an organisation – people, costs, cash and so on. It includes constraints placed on the level of costs used by processes (sometimes incorrectly called targets) and discretionary allocation as part of the planning process, which involves prioritising and committing resources (often by explicit authorisation). It is motivated by the INTENT to achieve something (usually a target), and while the intention must be reflected in the forecast, the expected impact may differ. Available resources may not be fully allocated, in order to maintain flexibility.
Performance Evaluation	Performance is <b>the degree to which an organisation has fulfilled its PURPOSE</b> . Performance will include, but not be limited to, measurable financial outcomes. Evaluation requires measures of variables, KPIs and/or assessments of outcomes and a target. It is the process of <b>assessing the overall level of achievement</b> of business units, teams or individuals in order to determine what (if any) action is required. It may involve numerical comparison but also judgement, particularly where multiple variables need to be taken into account.
Rewards	A reward is any kind of action or award valued by individuals that is likely to <b>increase motivation, commitment or influence their behaviour</b> . It may be financial or non-financial, the outcome of applying a set of rules defined in advance (an incentive) or the result of applying judgement or discretion. And it can be applied to individuals or groups at any level of frequency.
Coordination	Coordination is the process of <b>maintaining alignment</b> between different components of the steering system and other parts of the organisation on both the ‘horizontal’ (e.g. the plans of other functions) and ‘vertical’ axis (other levels). Ideally it should <b>based on the ‘heartbeat’ or rhythm of the business</b> , not arbitrary dates such as financial months, quarter of years. Time horizons, levels of detail and the degree and precision of alignment needed should be taken into account as well.

# BUILDING BLOCKS.

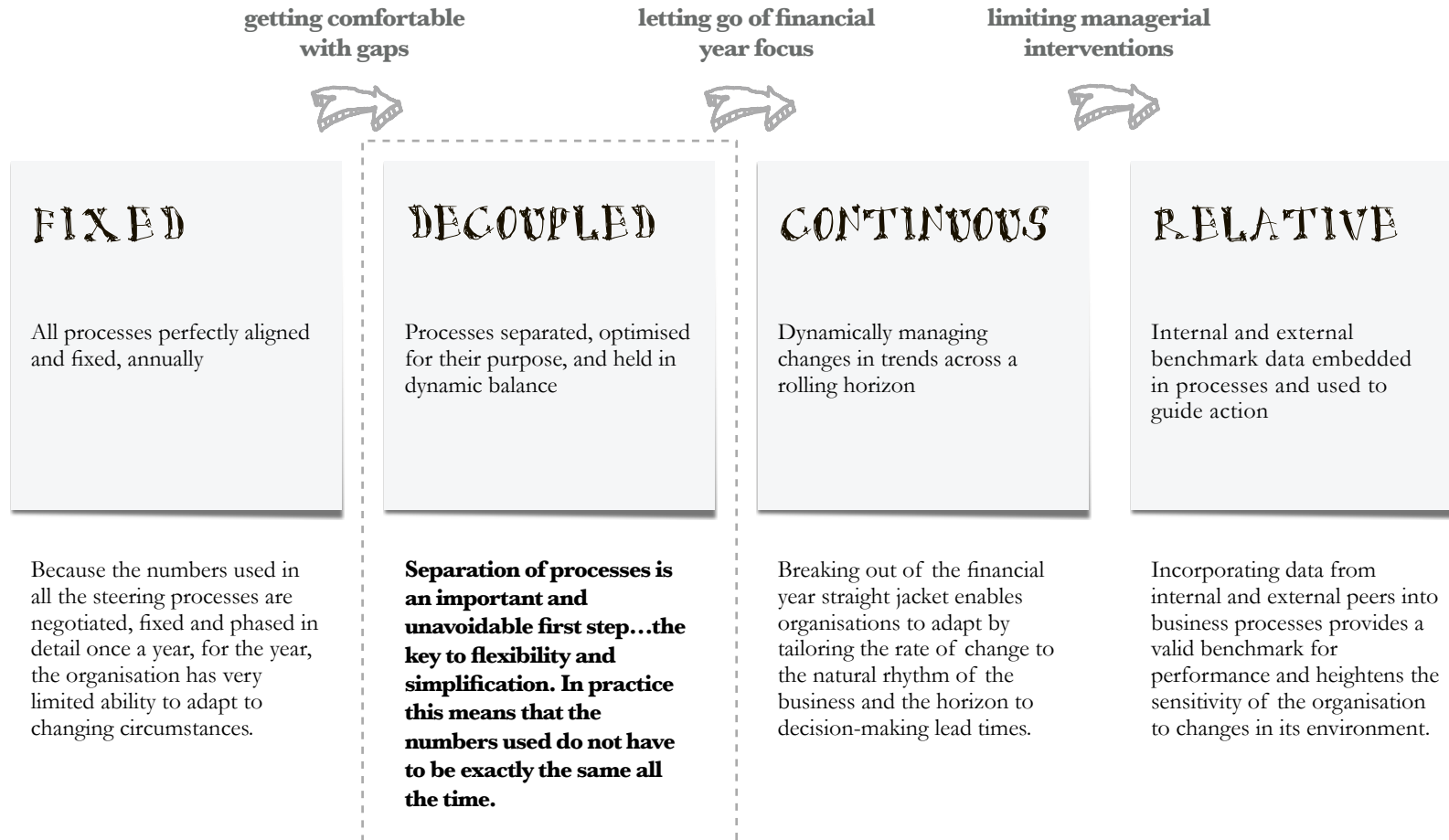
5

...how do processes become more adaptable?



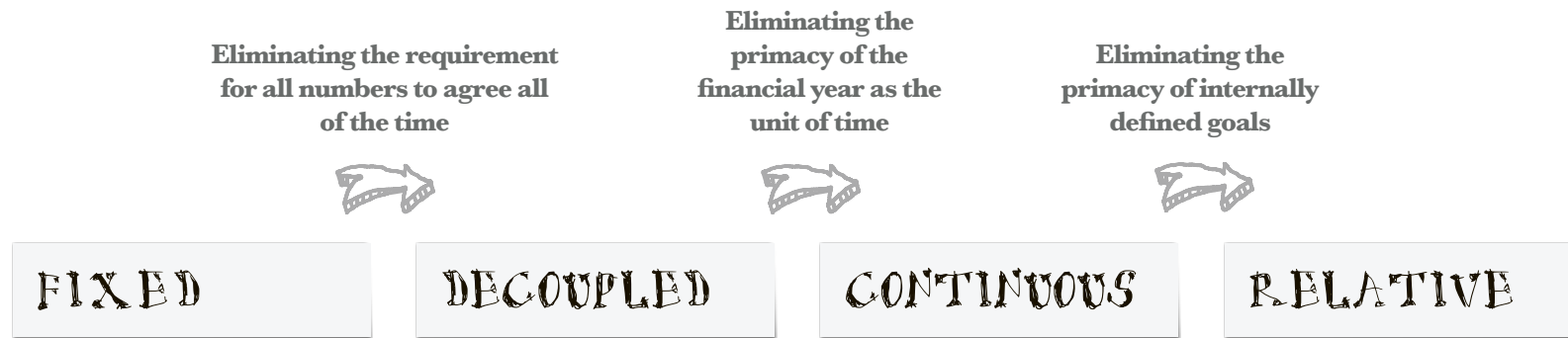
# THE BIG CHALLENGES

## LEVELS OF ADAPTABILITY



# THE BIG (PROCESS) CHANGES

**1** #1 what is **not there** (the constraints that are removed) is more important than what is there (what practices are introduced)



**2** #2 Informal (social) controls displace\* formal (procedural) controls



**SOME IMPORTANT DEFINITIONS**

<b>Purpose</b>	The assumed reason for the existence of the organization, what it is intended for it to achieve. The purpose defines what constitutes performance and so helps <b>guide decision-making (what things are done)</b> . This will include, but need not be limited to, financial viability. There may be a difference between what is said to be the purpose (propositional) and what is done in the future (practical). What they do not align, it is the second rather than the proposed purpose that tends to influence action.
<b>Values</b>	The norms, customs and traditions that <b>guide behaviour (how things are done)</b> . They may be written down or verbally transmitted, detailed and prescriptive, or based on principles and prescriptions. But in practice values are shaped by what behaviour is seen to be rewarded or punished.
<b>Transparency</b>	The <b>degree to which potentially useful information is shared</b> . High levels of transparency are a prerequisite for distributed decision-making.
<b>Organization</b>	The <b>way in which activities are structured in practice</b> , which may or may not be reflected in the organization chart. Structures could be understood as hierarchical, organized around projects or processes, skills or value streams, jobs or activities, formal or informal.
<b>Autonomy</b>	The degree to which decision-making authority is <b>decentralized</b> . To survive and prosper organizations need to strike the <b>right balance between autonomy and cohesion</b> . The former increases responsiveness and exploits the knowledge and experience of a wider group of people while the latter helps to align actions and exploits specialized knowledge and privileged information. The 'right' balance will differ between and within organizations and may change over time.
<b>Coherence</b>	The <b>degree to which external stimuli inform actions and behaviours</b> compared to those from within the organization. Organizations that are more externally focused are usually able to adapt quicker.

**\*DISPLACE** definition:  
Take over the place, position, or role of.  
N.B. Some formal mechanisms will always be required.

# BUILDING BLOCKS. 6

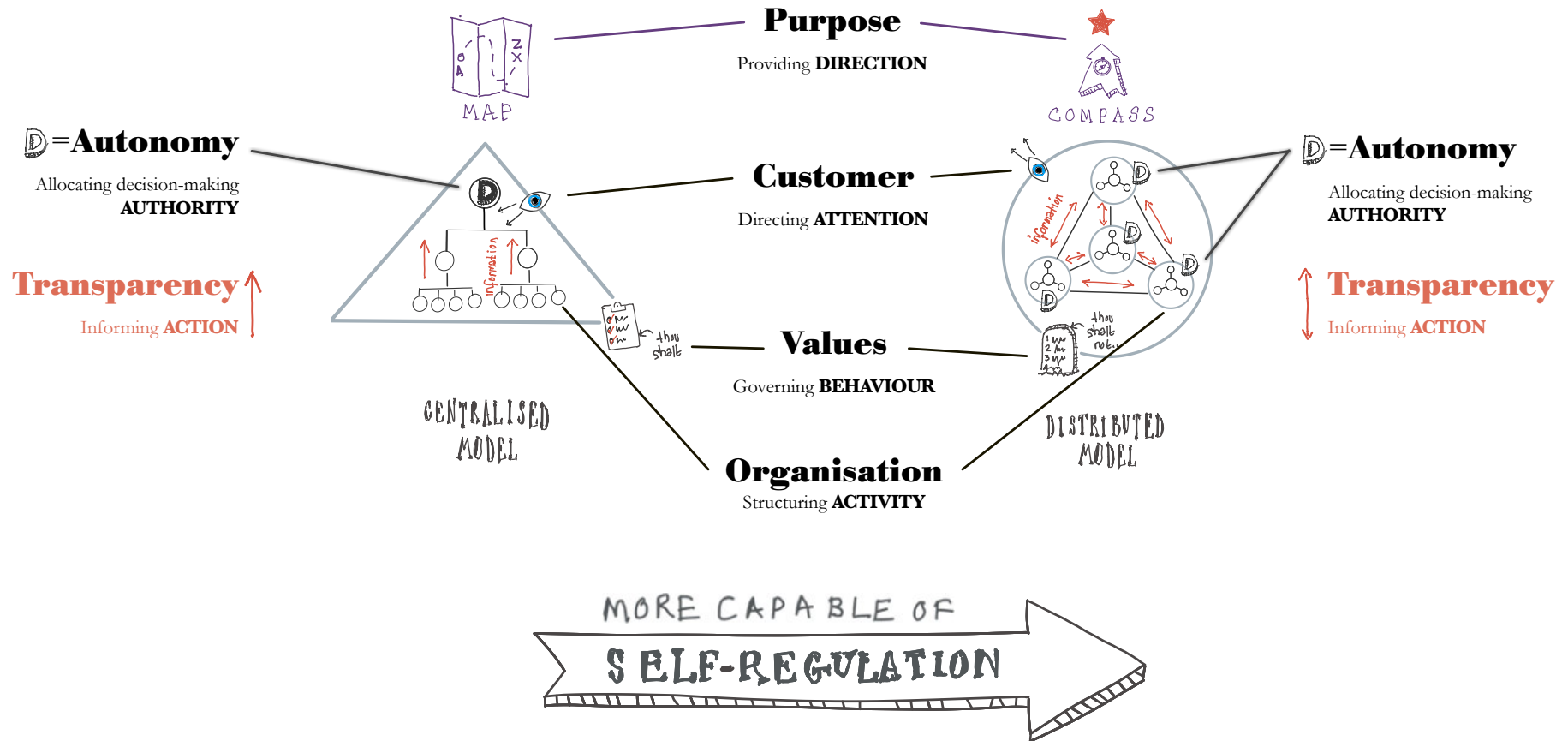
...what are the key leadership principles and what are their purposes?





# OVERVIEW

Principles of **LEADERSHIP**  
and their different **ROLES**



## Leadership

**Leadership is exercised on at least six different dimensions**, but these can be performed in different ways, depending upon the degree to which the organisation is centralised.

## Purpose Values

**PURPOSE** provides a sense of direction, and can take the form of detailed instructions, like a set of directions, or guiding principles, like a compass. **VALUES** inform behaviour and can be manifest as rules and regulations, or as guidelines.

## Organisation Autonomy

Activity needs to be **ORGANISED** hierarchically or through a network of teams. The degree of **AUTONOMY** is determined by whether decision-making rights are centralised or distributed.

## Transparency Customers

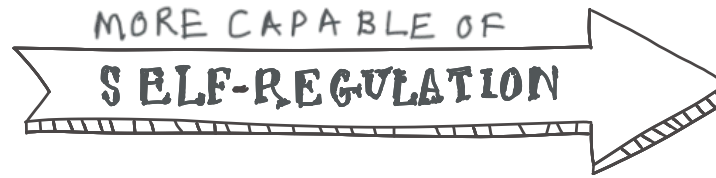
The level of **TRANSPARENCY** is determined by how freely information is shared. Attention can be directed toward the needs of internal or external **CUSTOMERS**.

## Self-Regulation

The way leadership is exercised, along with the capabilities of those that work within it, determines the extent to which the organisation is capable of **SELF-REGULATION**.

Crucially, there are many important links between the performance culture (as defined by the leadership principles) and processes. **The patterns of behaviour that you want should inform how processes are designed and operated. And people's experience of how processes work in practice reinforce (or undermine) what is said about the performance culture.**

X  
TRAITS



Y  
TRAITS

Command and Control

Meeting short-term financial targets

Compliance to rules and regulations

Based on 'need to know'

Decision-making rights based on seniority

Functional hierarchy

Needs of internal customers take primacy

PURPOSE

VALUES

TRANSPARENCY

AUTONOMY

ORGANISATION

CUSTOMER

Engage and inspire around bold and noble causes

Govern through shared values and sound judgement

Transparent, in support of self-regulation, innovation, learning and control

Freedom to act based on trust

Sense of belonging based on accountable teams

Connect with external customer needs

# SOME IMPORTANT DEFINITIONS

Purpose	The assumed reason for the existence of the organisation, what it is intended for it to achieve. The purpose defines what constitutes performance and so helps <b>guide decision-making (what things are done)</b> . This will include, but usually not be limited to, financial viability. There may be a difference between what is said to be the purpose (espoused) and what is seen to be done (enacted). Where they do not align, it is the enacted rather than espoused purpose that tends to influence action.
Values	The norms, customs and traditions that <b>guide behaviour (how things are done)</b> . They may be written down or culturally transmitted, detailed and prescriptive ('do this'), or based on principles and proscriptive ('avoid that'). But in practice values are shaped by what behaviour is seen to be rewarded or punished.
Transparency	The <b>degree to which potentially useful information is shared</b> . High levels of transparency are a prerequisite for distributed decision-making.
Autonomy	The degree to which decision-making authority is <b>distributed</b> . To survive and prosper organisations need to strike the right <b>balance between autonomy and cohesion</b> . The former increases responsiveness and exploits the knowledge and experience of a wider group of people while the latter helps to align actions and exploits specialised knowledge and privileged information. The 'right' balance will differ between and within organisations and may change over time.
Organisation	<b>The way in which activities are structured in practice</b> , which may or may not be reflected in the organisation chart. Structures could be networked or hierarchical, organised around projects or processes, skills or value streams, jobs or activities, formal or informal.
Customer	<b>The degree to which external stimuli inform actions and behaviour</b> compared to those from within the organisation. Organisations that are more externally focussed are usually able to adapt quicker.

# BUILDING BLOCKS.

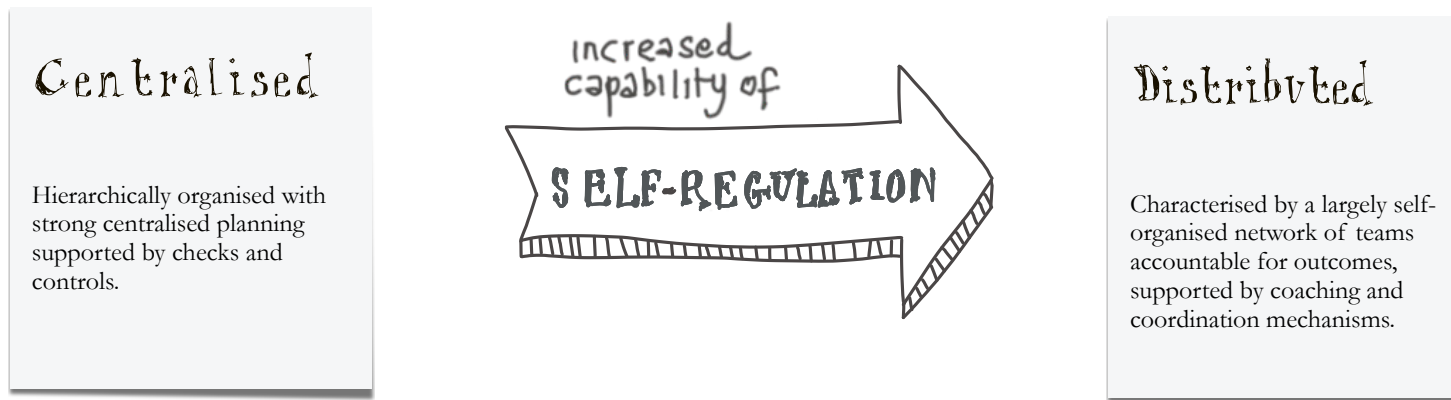
7

...what is required to make an organisation more capable of self-regulation?



# THE BIG CHALLENGE

trusting people to do  
the right thing



## Comment

The capability to self-regulate, as described by the leadership principles, exists on a continuum, unlike the process principles where there is a clearly defined sequence of steps. And identifying where an organisation ‘sits’ on this continuum is also more challenging because some principles deal with intangible properties (e.g. Values) and for others the observed reality may be very different to that claimed in formal communications. (e.g. Purpose).

Note, however, that the capability to self-regulate doesn’t mean that central intervention or direction is not required, hence the description ‘distributed’.

For example, in an emergency, speedy decisive action is required. And steps will need to be taken to deal with abuses of trust. And what senior management say, and are seen to do, shapes the purpose and values of the entire organisation.

# THE BIG (LEADERSHIP) CHANGES

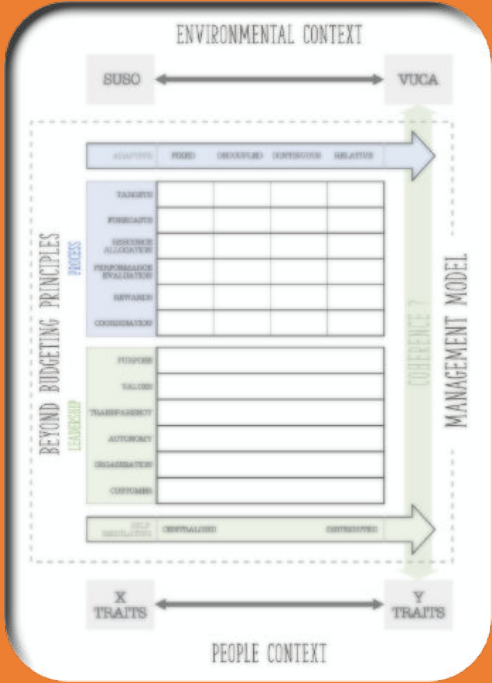


- Purpose** Direction and intrinsic motivation is provided by high-level purpose more than by explicit, quantified targets and financial rewards.
- Values** Values provide boundaries that constrain and inform actions replace constraints on the allocation of resources (explicit approvals and limits).
- Transparency** Actions are guided and coordinated by the awareness of the actions of others rather than by procedures. Peer group pressures displace rules and regulations.
- Autonomy** Trust in people to do the right thing at the right time replaces authorisation and planning processes. Autonomy is a source of intrinsic motivation.
- Organisation** Self-managed cross-functional teams with accountability for results replace hierarchical coordination and provide scope for personal development – a source of intrinsic motivation.
- Customer** Signals from the external environment replace commands and instructions from those in authority.

# BUILDING BLOCKS.

8

...how do the building blocks fit together? And how do they help us assess viability?





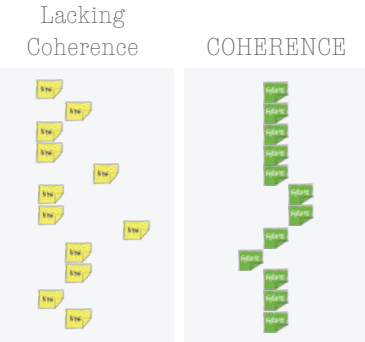
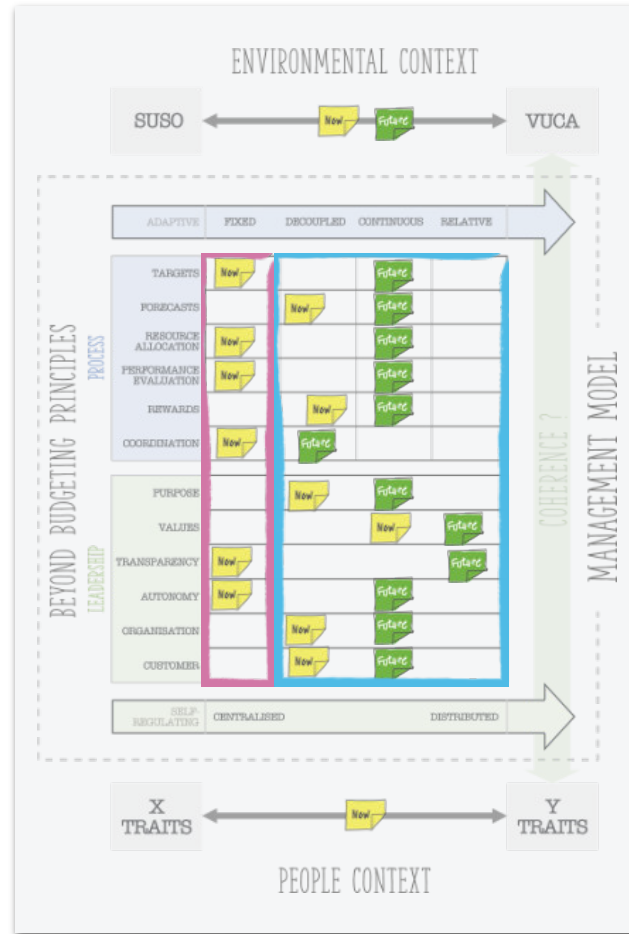
# THE MAP

FITTING TOGETHER

The **EXISTING** <sup>Now</sup> and **DESIRED FUTURE** <sup>Future</sup> states of the Management Model can be represented by their position on the map grid.

Positions to the left represent a Management Model based on **TRADITIONAL BUDGETING** and **COMMAND AND CONTROL** based on THEORY X style leadership ...

...and anywhere to the right is – by definition – **‘BEYOND BUDGETING’** based more on THEORY Y leadership practices...



A Management Model is **VIABLE** if there is **COHERENCE**... represented by (rough) vertical alignment of the positions for process and leadership principles as well as with environmental and people conditions...

**NOTE:**  
It is not necessarily always better to be further to the right. What is important is the degree of coherence...how well your Management Model fits to its context.

## PRINCIPLES LEADERSHIP PROCESS

**COHERENCE** is deeply embedded in the detailed relationship between the leadership and process principles.

**Ideally** what you **SAY** should be reflected in what you **DO**...

...and what you **DO** lends credibility to what you **SAY**.

reflected in

What we  
**say**



What we  
**do**

PURPOSE  
VALUES  
TRANSPARENCY  
AUTONOMY  
ORGANISATION  
CUSTOMER

TARGETS  
FORECASTS  
RESOURCE ALLOCATION  
PERFORMANCE EVALUATION  
REWARDS  
COORDINATION

What we  
**say**



What we  
**do**

reinforces

But, **in practice**, what you **SAY** may **not align** with what you **DO**.

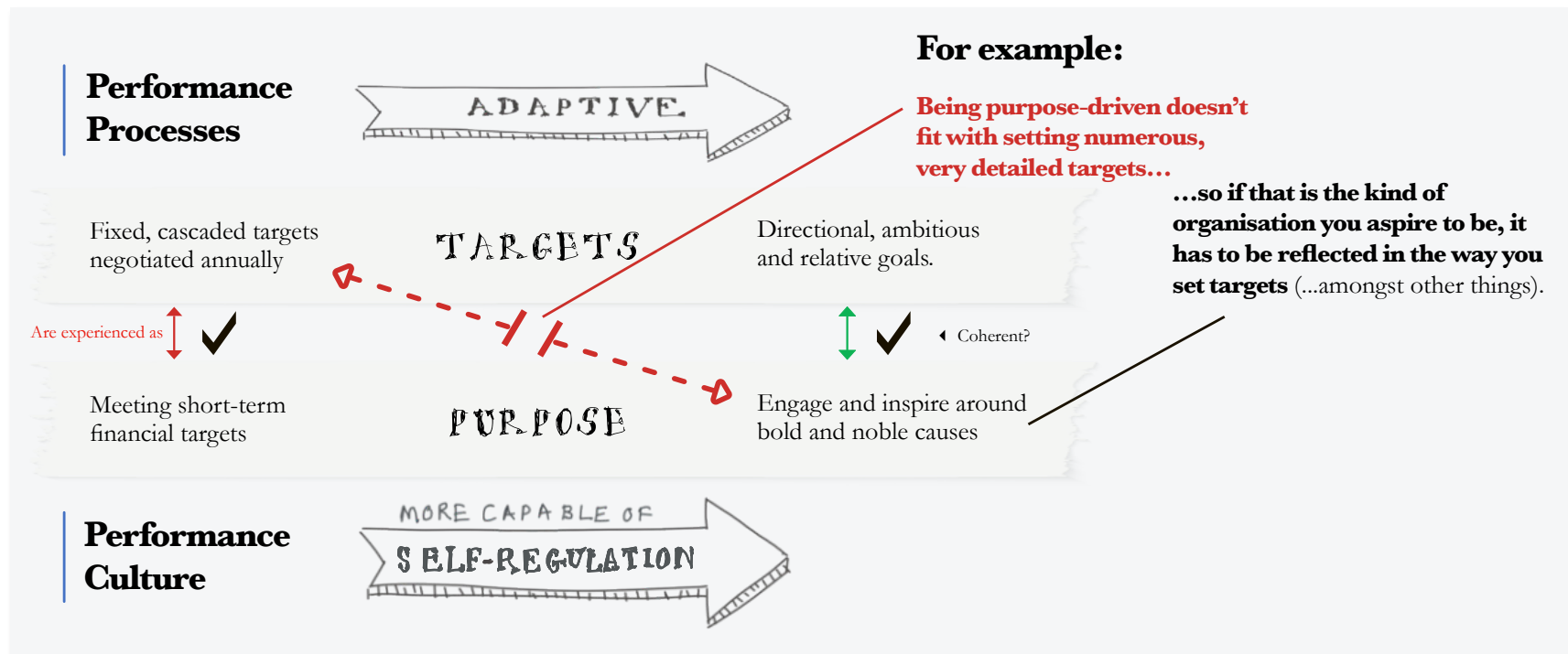
In this case, because **actions speak louder than words**, what leaders **SAY** will not be **BELIEVED**, so people will not **BEHAVE** in the way that you want.

# THE PROBLEM... AND THE OPPORTUNITY

## INCONSISTENCIES

The self-reinforcing nature of the people and process principles presents a **PROBLEM** if the way you manage processes is not aligned with the way you would like people to behave. Because **when there is inconsistency, DO always beats SAY**. So there will be coherence but not the way you want.

But it also represents an **OPPORTUNITY** because you can shape the (intangible) performance culture by **changing the way that (tangible) processes are designed and run** to create the right sort of coherence.



# PROCESSES: FUNCTION... NOT FORM

Don't confuse the FORM of a process with the FUNCTION it serves.

Processes and procedures are just tools – like a knife they can be used in multiple ways... **WHAT** form they take is less important than **HOW** they are used.

For example...



# FROM CONCEPTS TO CONTENT

The first half of this book outlined the concepts behind the Viable Map.

The second half goes into more detail – helping you to assess your existing Management Model and define the one that you want.

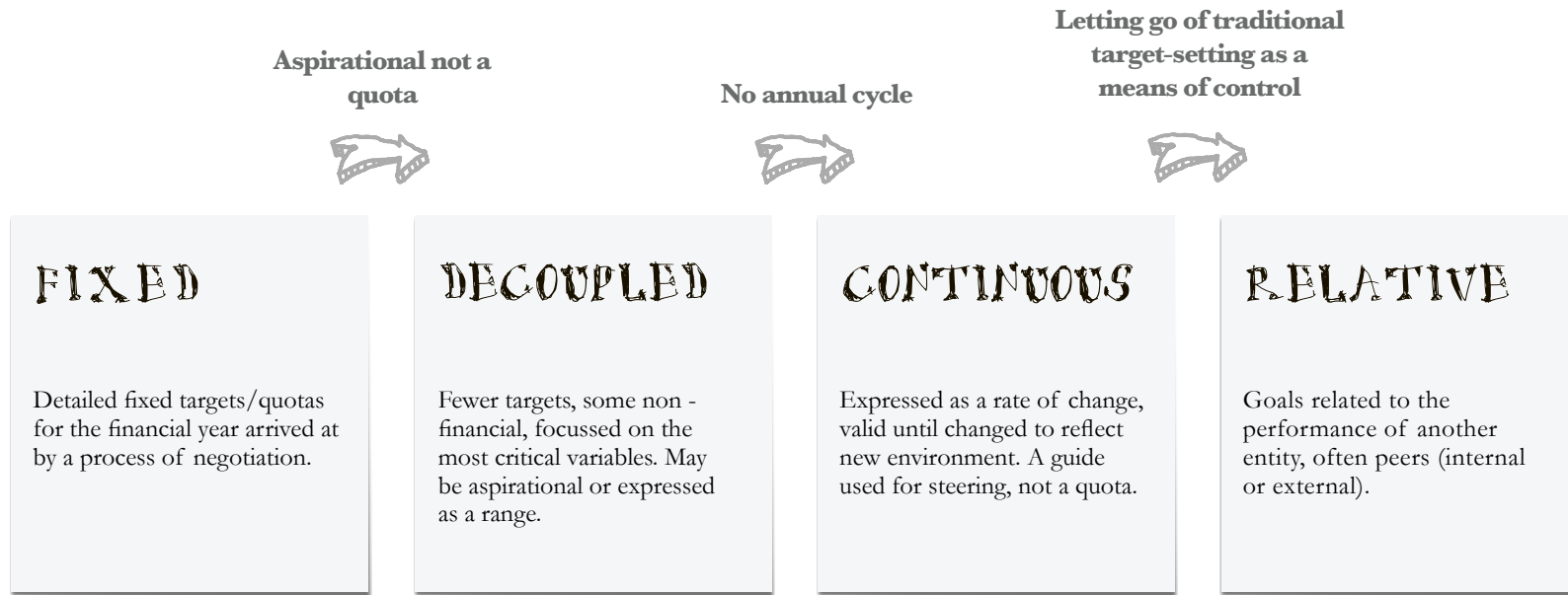
You will also find practical advice and examples to help you on your way.

# DETAILS PROCESS STEPS

...what are the typical features of processes at each stage of their evolution?



## The Big Challenges



## Comment

As targets become less tightly defined, more aspirational and responsive to external conditions the less we should expect forecasts and actual performance to be in line with them. It is the existence of gaps that provides impetus to change and flex in the system.

Gaps are 'good'.

# TARGET-SETTING - TYPICAL PRACTICES

## REMEMBER:

HOW is more important than WHAT.

## FIXED

- **Single point** targets
- **Fixed** for financial year
- Covers all elements of P&L
- Very **detailed**
- **Phased** by month
- Arrived at by **negotiation**
- Used for variance analysis
- Taken to be a forecast
- Tied to cost budgets
- Tied to rewards

## DECOUPLED

- Limited to financial year
- May be a **range** (e.g. minimum, aspirational)
- **Includes** non - financial **KPIs**
- **Changed** to reflect threats or opportunities
- **Less detailed**, team-based
- Scope for teams to set own (aspirational) targets
- Not phased
- **Gaps** to forecast expected
- Not mechanistically tied to rewards

## CONTINUOUS

- As decoupled, plus:
- Set for a **rolling horizon**
  - Expressed as rate of **change**
  - **'Evergreen'** – only changed when needed

## RELATIVE

- As decoupled and continuous, plus:
- Internal **peer group league tables** used to stimulate **learning** and **improvement**
  - Use of **external benchmarks** where available (e.g., market share)



# TARGETS - LEARNINGS

## TARGETS

**Targets are an ASPIRATION  
not an EXPECTATION.**

**It is usually  
impossible to hit  
every target...**

**There is no way of  
knowing in advance  
what the 'right' target  
level is...**

**Targets are an  
expression of  
PURPOSE...**

...so be clear about which is  
most important.

...all targets will be too stretching  
or too lax to some degree.

...and so should include  
non-financial variables

**Targets can be set  
in many ways.**

**How targets are  
acted upon is as  
important as how  
they are  
expressed.**

**Fewer, 'looser' targets  
are needed for  
ADAPTABLE and  
SELF -REGULATING  
Management Models.**

Once a year... or changed  
only when needed.

Are they treated as firm  
commitments or loose  
guidelines?

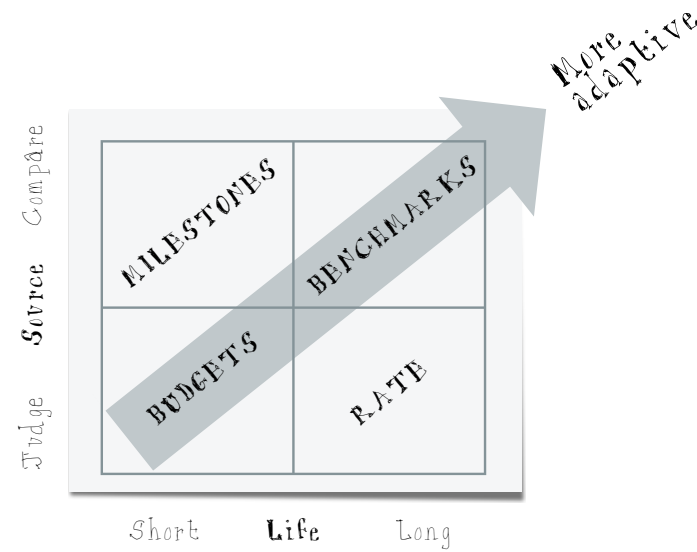
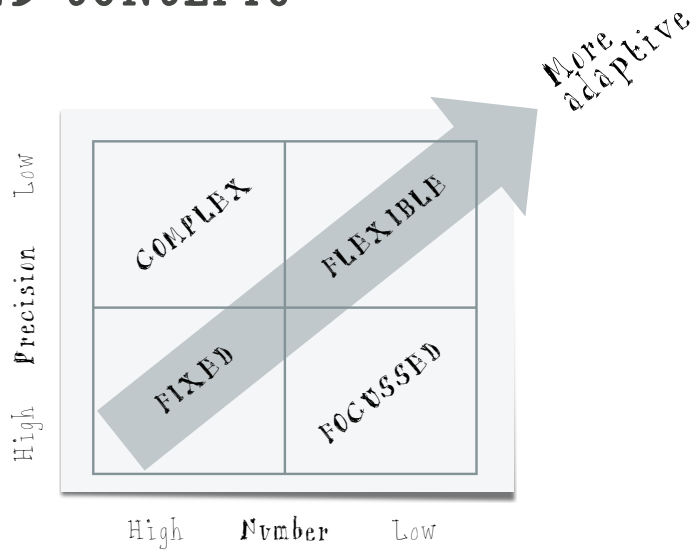
Single number at a point in  
time, a range over a period  
of time...

An absolute value, a rate of  
change, relative to...

Whether and how they are  
linked to rewards is an  
important factor.

Precise and quantified to  
'fuzzy' – 'more', 'less'.

# ... AND CONCEPTS



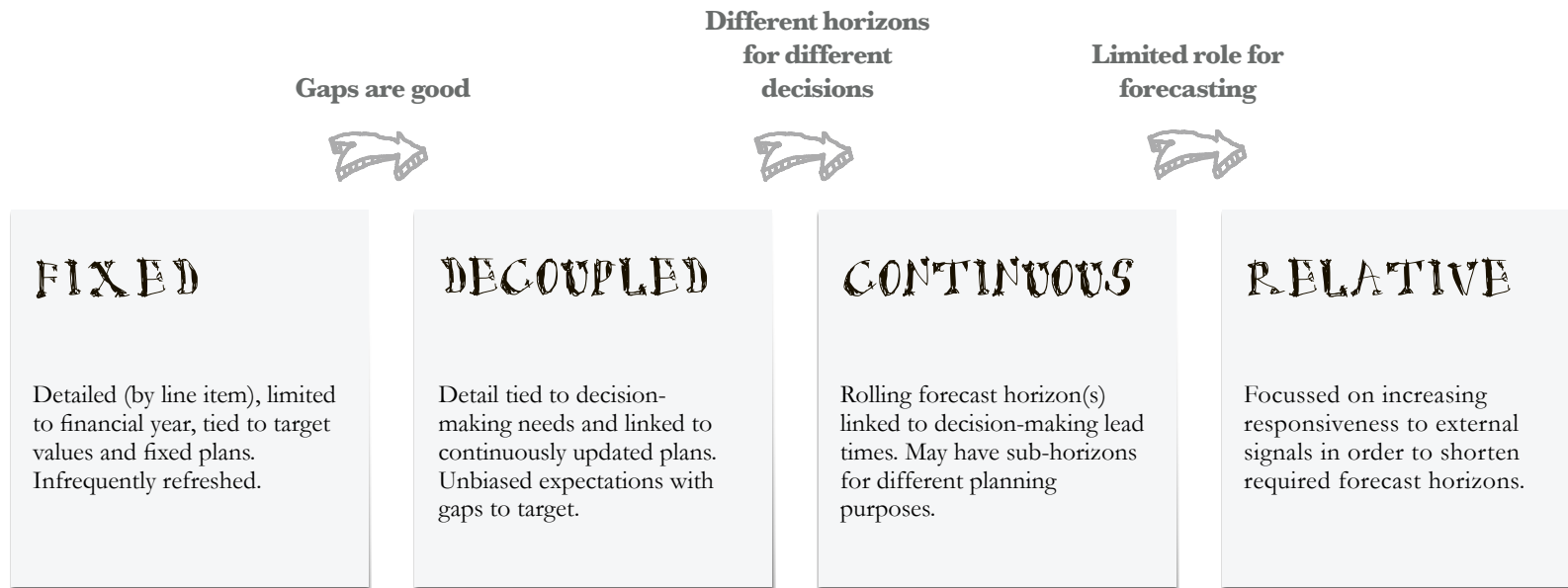
### League Tables / Benchmarks

	Rev Growth	A%P%	Profit Growth	KPI
1				
2				
3				
4				
x%	x%	x%	x%	AVERAGE
5				
6				
7				
8				
9				
10				

PERFORMANCE: Own Peers Competitor



## The Big Challenges



## Comment

The only reason for forecasting is to help make decisions when data on actual performance is not available or useful. Don't expect forecasts to ever be 'right', particularly as they are used to change the future. They only need to be unbiased and accurate enough for the decisions that need to be taken.

More responsive decision-making and quicker execution is preferable to better forecasts.