

Roundtable Discussion

Why haven't we 'dumped' the budget?
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Discussion Topics

- What exactly is the purpose of the budget?
- What drives the content of the budget?
- When should organisations budget?
- What should we expect from a budgeting system?
- How should budgeting be transformed – or should we dump it altogether?

Budgeting: Overview

- How many people here are involved in budgeting?
- How many people think of budgeting as a valued management activity?

'The budgeting process at most companies has to be the most ineffective practice in management' Jack Welch, Winning

The average organization spends around 4 months to develop an annual budget – most of which is out of date within 3 months. The Strategy Gap

What exactly is the purpose of the budget?

“Nearly 50% view the planning process as financial and annual. In effect, budgeting is a plan with little detail on specific tactics to be employed but lots of detail on the expected financial results.” David Axson,

Best Practices in Planning and Performance Management

Definition: Budgeting

Meaning:

- A process for describing in financial terms, the planned future performance of the organization.

Purpose:

- To allocate resources that enable the implementation of a tactical plan
- To help assess the actual and forecast financial operation of the business.

Activities:

- Confirm business direction and set expectations
- Top-down / bottom up revenue and expenditure projections
- Decide on sources of funding

What should drive the content of a budget?

“It is not unusual for a company to develop a budget item for spending on photocopier paper in the third quarter of next year but have little or no idea how much business it expects to generate with its 20 best customers”

“The average company budgets 220 accounts compared with just 40 for world-class companies”

Best Practice plans clearly state the tasks to be completed, by whom, when, how, and with what resources.

David Axson, Best Practices in Planning and Performance Management

60% of organizations do not link their budgets to strategic priorities.

Kaplan & Norton

How often should we budget?

“Best Practice companies decouple their internal management processes from the calendar and provide a set of planning and reporting processes that utilize continuous processing and monitoring of activity.

“Aspects of strategic planning are not once-a-year events but a continuous process. The pace of change is so great that management needs to monitor the strategic implications of new developments on a continuous basis.”

David Axson, Best Practices in Planning and Performance Management

“Dakota tribal wisdom says that when you discover you’re on a dead horse, the best strategy is to dismount.

Of course, there are other strategies. You can change riders. You can get a committee to study the dead horse. You can benchmark how other companies ride dead horses. You can declare that it’s cheaper to feed a dead horse. You can harness several dead horses together.

But after you’ve tried all these things, you’re still going to have to dismount”

Gary Hamel

What should we expect from a budgeting system?

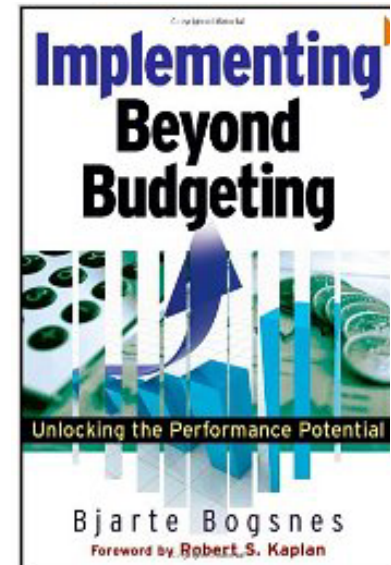
Should we transform the budget or 'dump' it altogether?

- *“The main purpose is not to get rid of budgets – they are a barrier that must be removed.”*
- *“The main purpose is liberation – from dictatorship, micromanagement, number worshipping, calendar periods, hierarchies, secrecy, sticks and carrots, and all other management myths”*
- *It requires a different mindset from:*

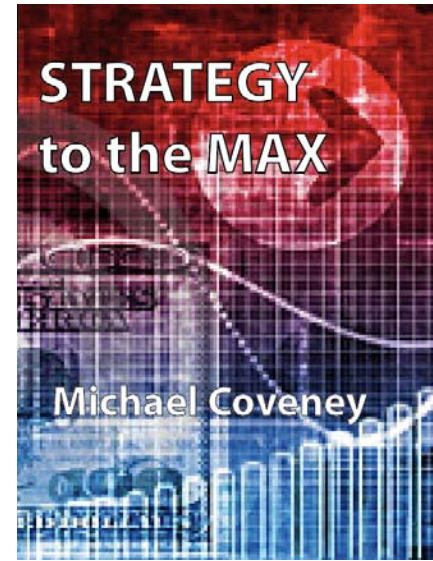
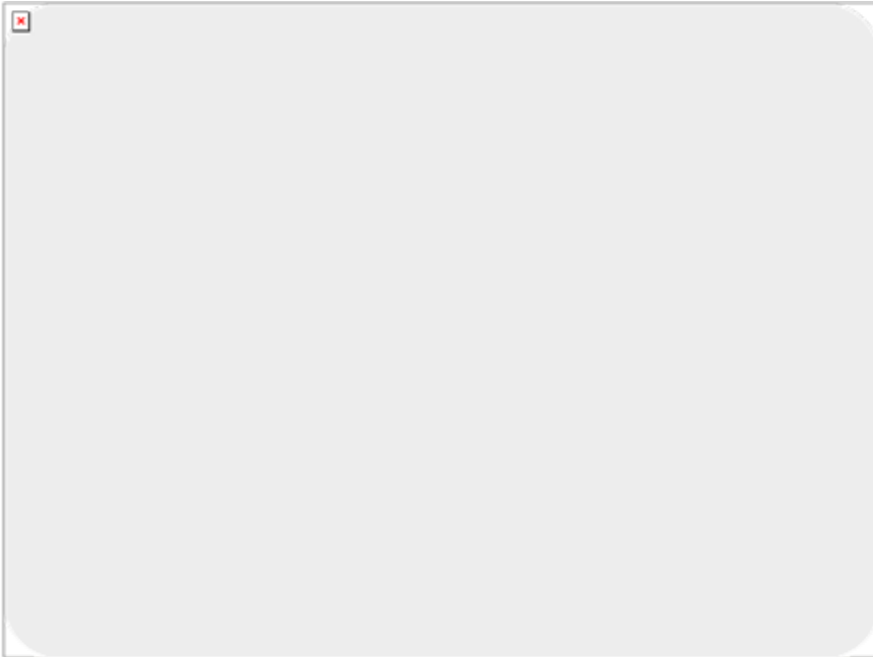
“do I have a budget for this”

To:

“Is this the right thing to do? Does it support action towards objectives, within decision criteria and authority; can we justify it?”



Thank You!



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