

# How Organisations Think

Management as Cognition

# Dr Steve Morlidge

## Unilever (1978–2006) roles include:

- CIMA qualified 1981
- Controller, Unilever Foods UK 1992 - 2002 (\$1 billion turnover)
- Leader, dynamic performance management change project (part of Unilever's Finance Academy), 2002–2006

## Outside Unilever

- Chairman of the BBRT, 2001–2006
- BBRT Associate, 2007 -
- Founder/director, Satori Partners Ltd., 2006
- Ph.D., Hull University (Management Cybernetics), 2005
- Visiting Fellow, Cranfield University, 2007 -
- Foresight Magazine Editorial Board
- Coauthored book *Future Ready: How to Master Business Forecasting*, 2010
- Founder, CatchBull (forecasting performance management software), 2011 -
- Books in progress
  - *Present Sense*
  - *The Little Book of Beyond Budgeting*



**satori**  
*partners*

# The Cognitive Revolution

## Cognitive Computing

- Adaptive
- Interactive
- Iterative
- Contextual

Cognitive Businesses 'think'



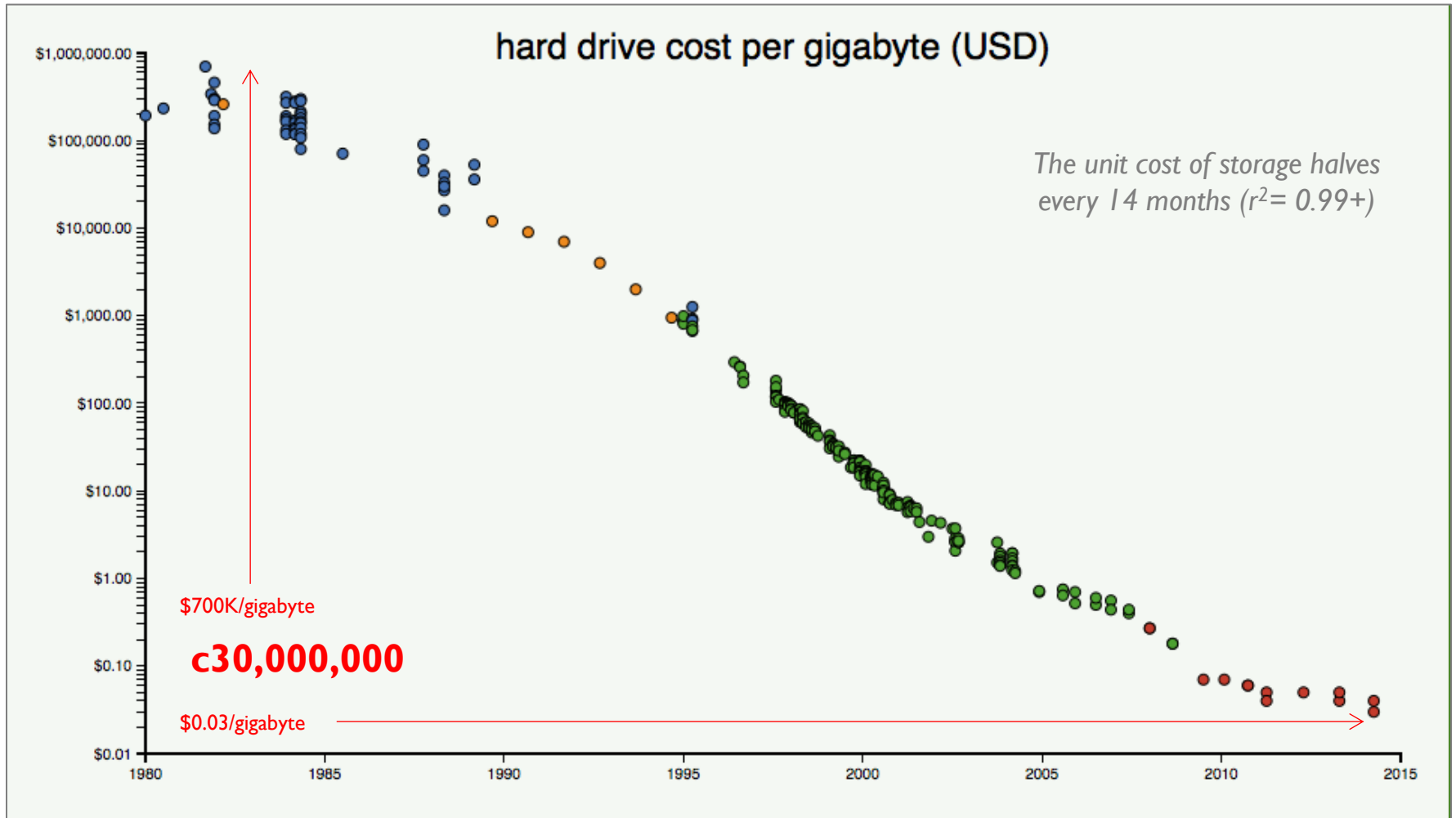
# Questions

Can businesses 'think'?

How well do they think?

What can we learn from our brain  
about how to think better?

# Data is superabundant



# But the ways we analyse it have not



# Qualities of the brain

Act

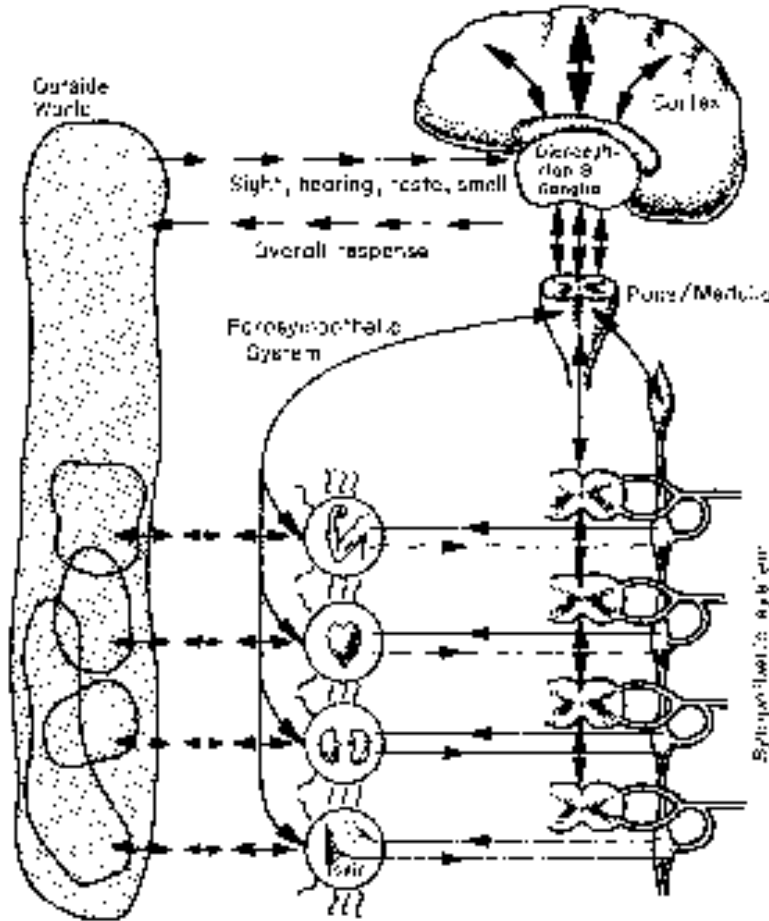
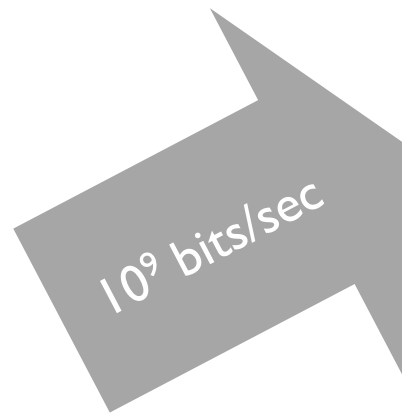
in a

Purposeful way

faced with

Overwhelming

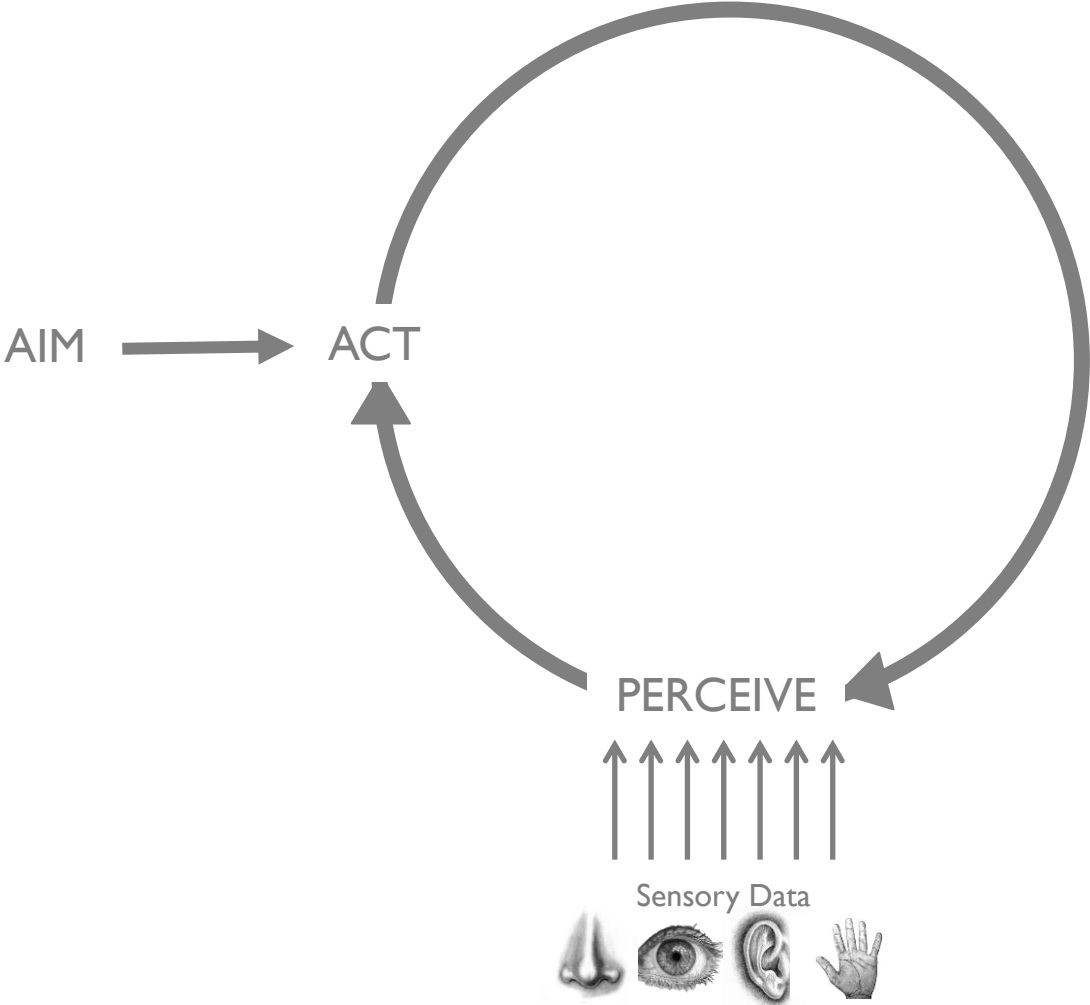
levels of sensory input



Attenuation  
1:10m



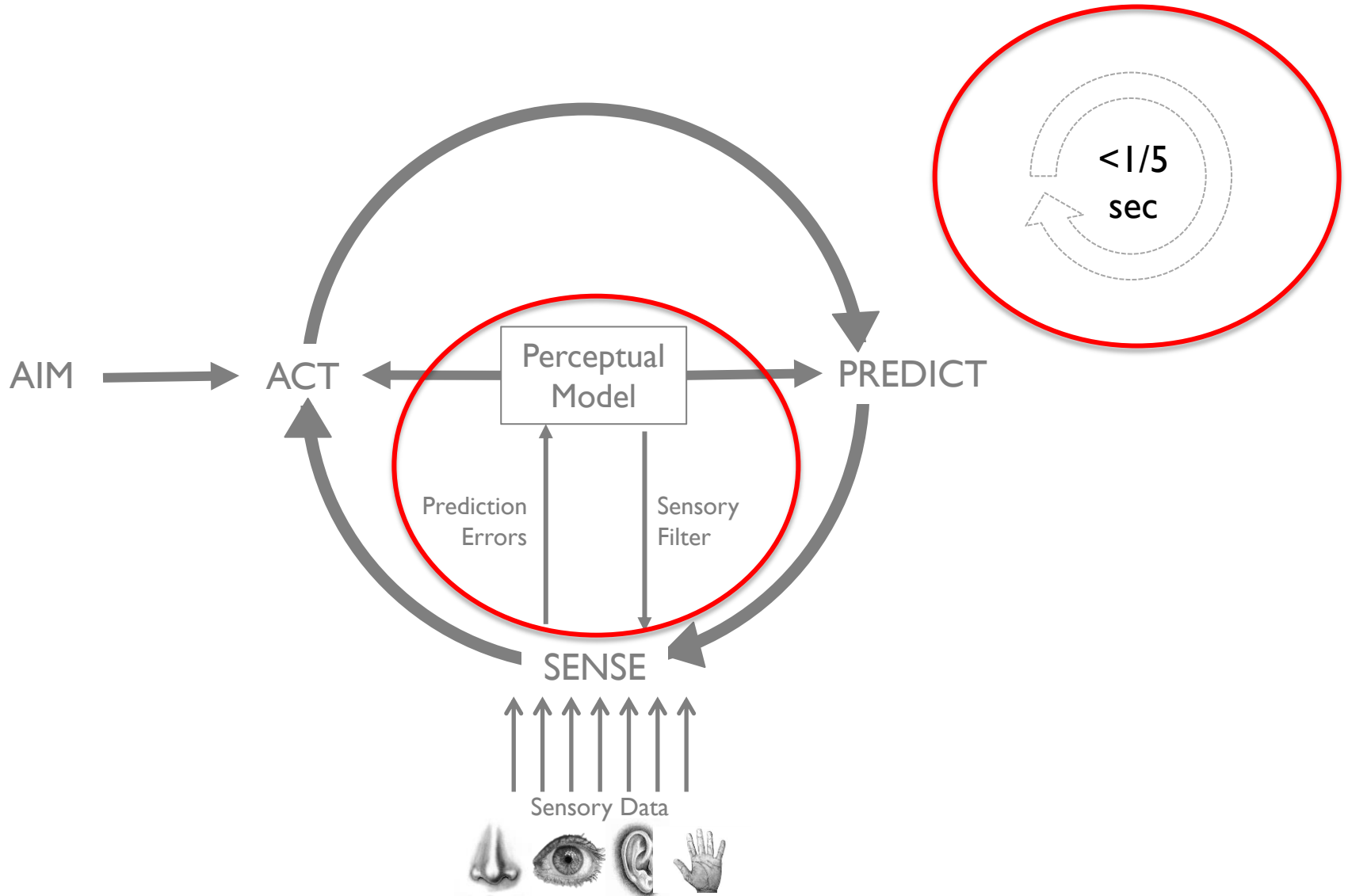
# How the brain works?



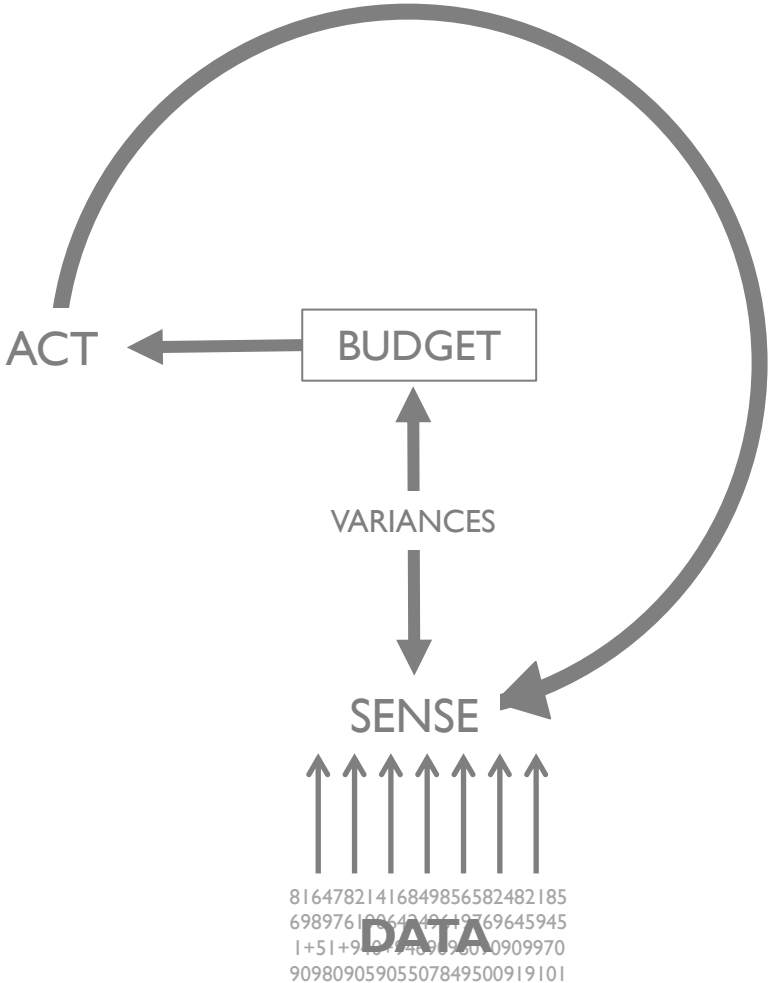


## Awareness Test

# How the brain actually works



# How businesses think



# Problems with budgeting



## **TOO COSTLY** **29% complained**

‘Many resources are wasted in the exercise and the benefits are dubious’

## **POOR QUALITY** **38% complained**

‘The quality of budget data is compromised by cautious behaviour and fosters political agitation instead of entrepreneurship’



## **TOO MUCH TIME** **71% complained**

‘The cycle time is too long and results are often obsolete by the time they are published’

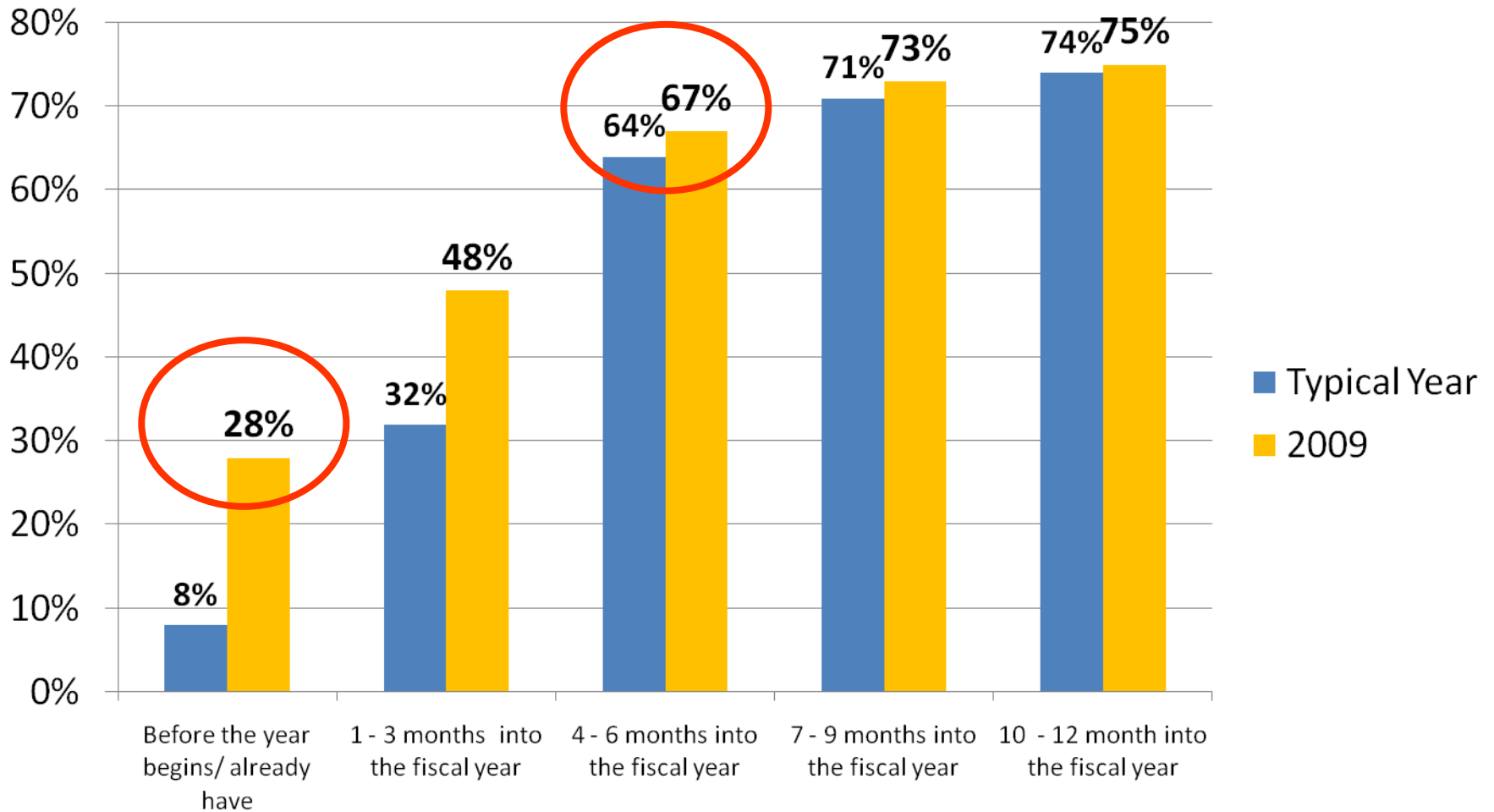
## **NOT FLEXIBLE** **29% complained**

‘The annual event obstructs responsiveness to change’



# At what point do you expect your annual budget targets to become obsolete?

## Budget Target Life Span



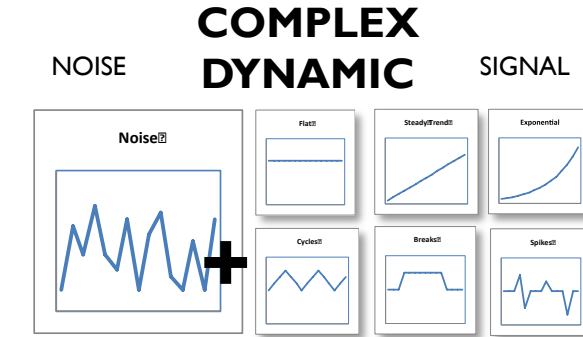
# Actions are time constrained



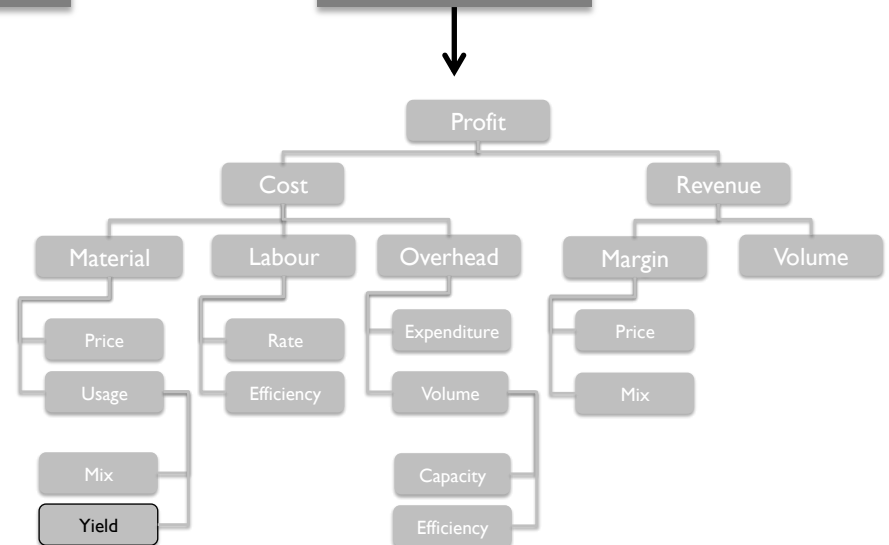
# Our way of analyzing data hasn't changed



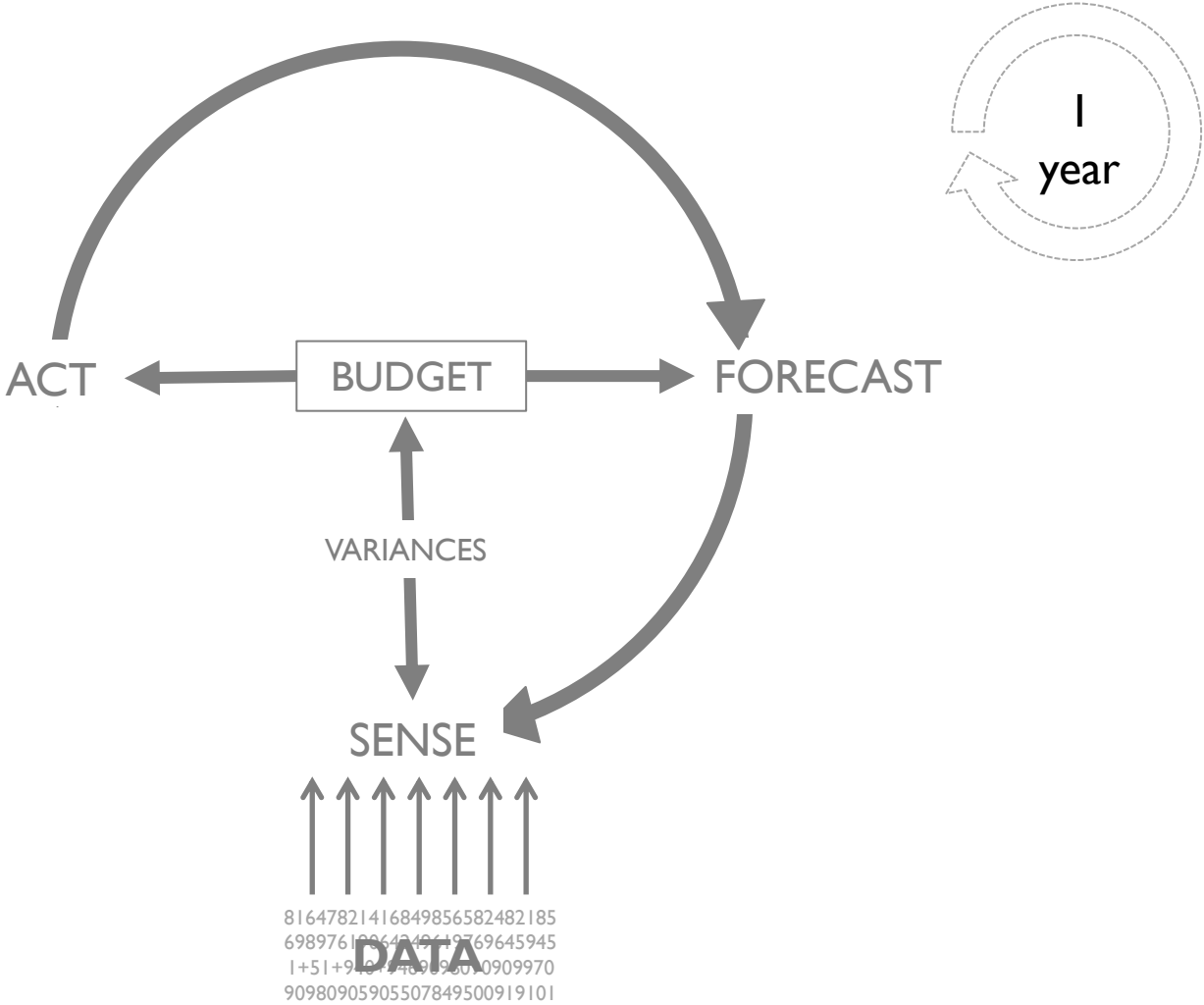
Out of date  
Politically motivated  
Guess



**Meaning?**

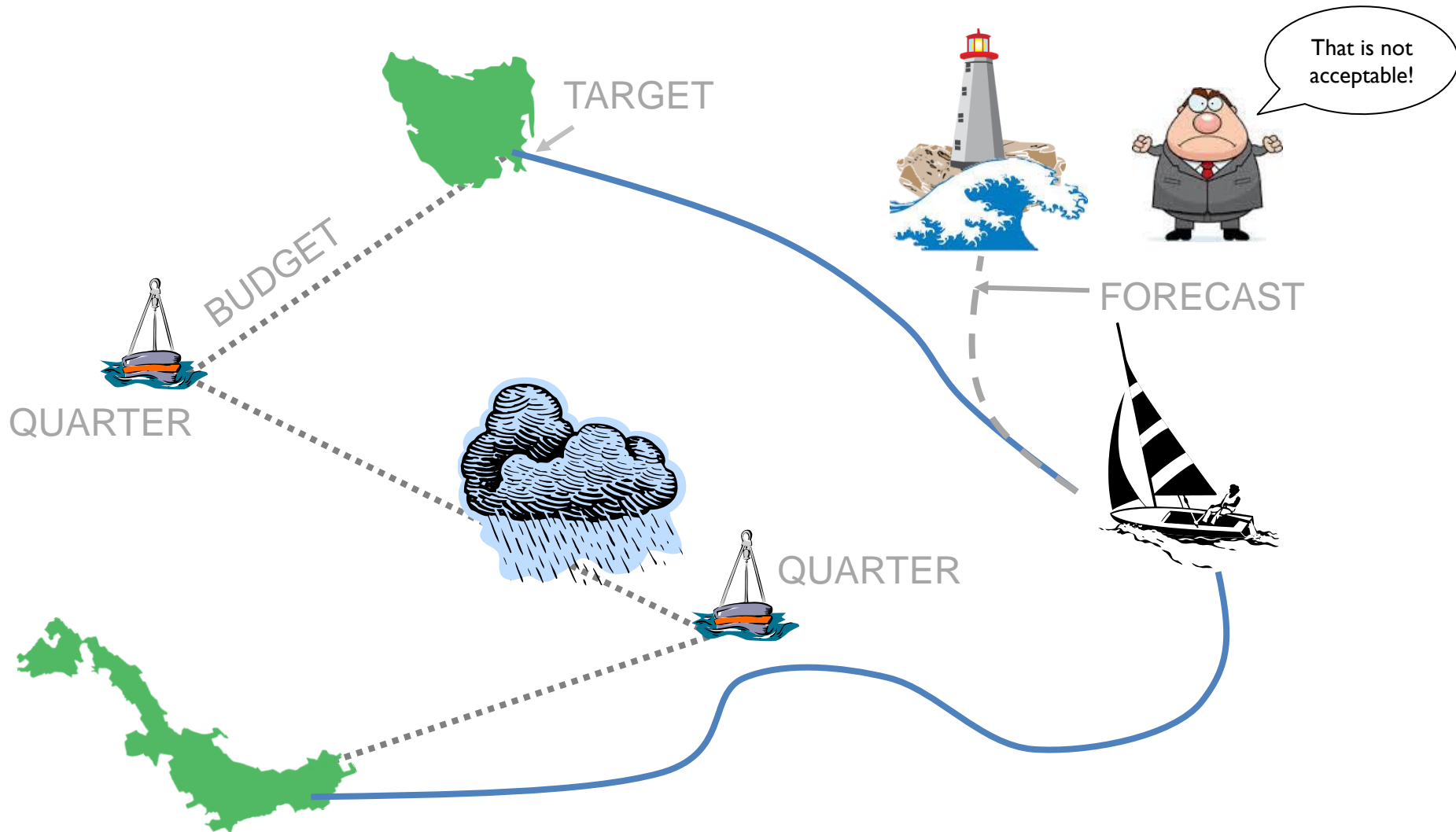


# How businesses think

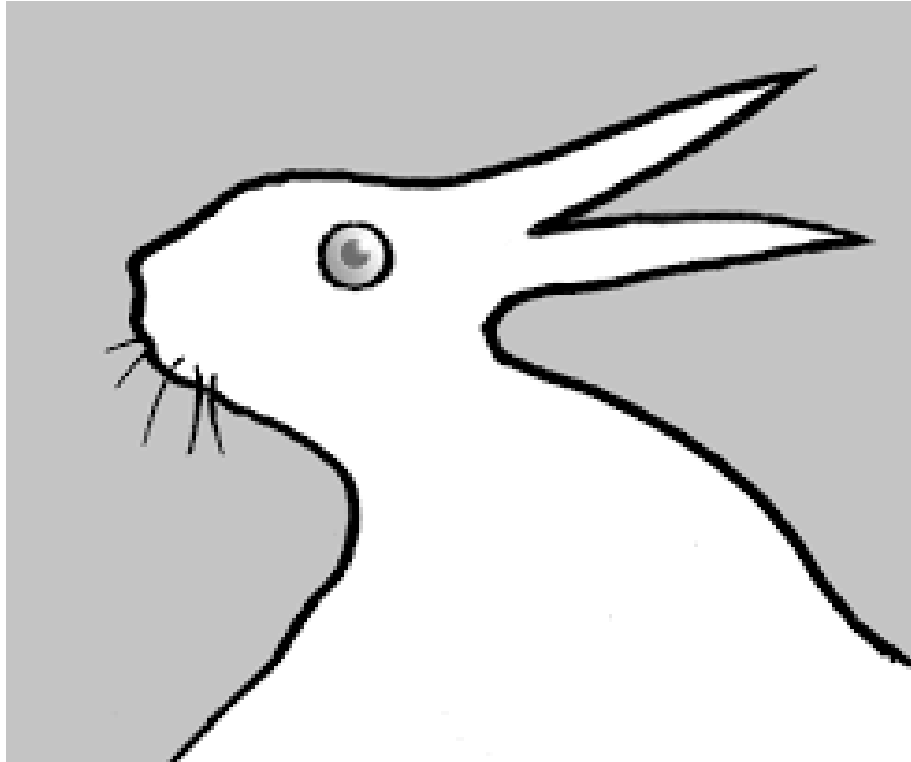




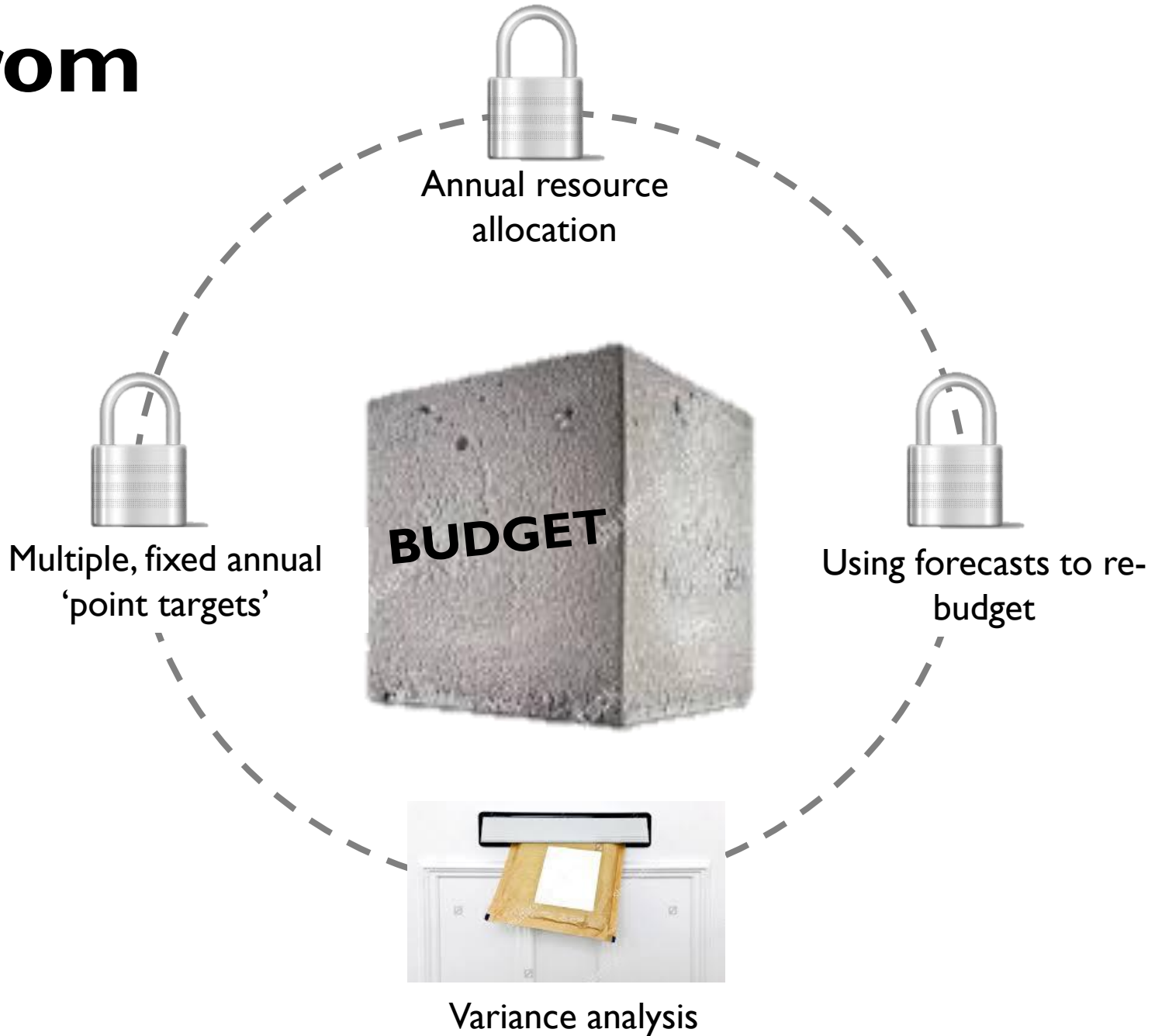
# Forecasting informs decisions



# ...and how we perceive the world



# From



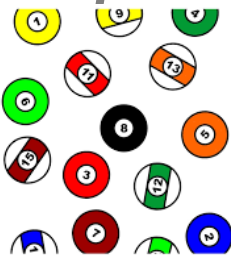
# To



Resources on demand



Fast, frugal and fair forecasts



Flexible target setting



Engage with the world

# Target Setting

**Stop**



**Start**

Relative Performance



Rate Tracking



Change Targets

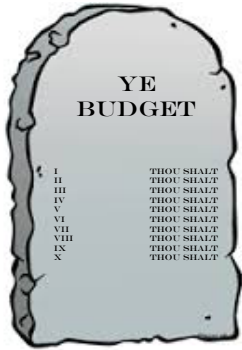


# Forecasting

Stop



That is not acceptable!



Start



	Economic Relevance	Variability	Speed of response	Update Frequency	Forecast Horizon
Revenues	High	High	High	Daily	Quarter
Labor Costs	High	Low	Medium	Twice monthly	Six months
Fuel Costs	High	High	Medium	Weekly	Quarter
Maintenance Spending	Medium	Medium	Medium	Twice monthly	Six months
Advertising Spending	Medium	Medium	High	Monthly	Six months
Aircraft Ownership Costs	Medium	Low	Low	Quarterly	Year
Airport Rates and Charges	Medium	Medium	Low	Weekly	Six months
Other Operating	Medium	Medium	Medium	Twice monthly	Quarter

# Managing information

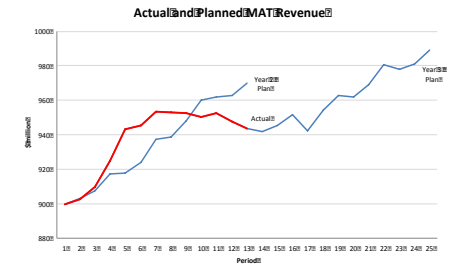
Stop

Start

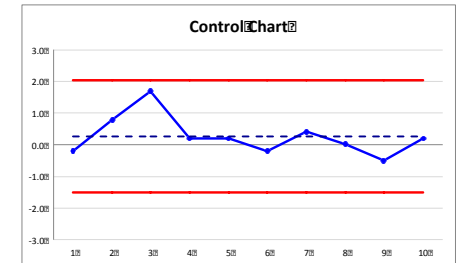
Sales Product Groups	Q3				Variance			
	Budget	Estimate	Estimate	Actual	Estimate	Estimate	Actual	%
Product A1	\$ 184.9	\$ 185.9	\$ 171.7	\$ 176.1	\$ 1.0	\$ (13.2)	\$ (8.8)	-4.8%
Product A2	214.3	226.7	214.1	214.7	12.4	(0.2)	0.4	0.2%
Product A3	123.3	117.7	115.0	110.4	(5.6)	(8.3)	(12.9)	-10.5%
Product Group A	522.4	530.2	500.7	501.1	7.8	(21.7)	(21.3)	-4.1%
Product B1	156.8	161.2	156.2	151.9	4.4	(0.6)	(4.9)	-3.1%
Product B2	162.2	175.5	163.8	163.8	13.3	1.6	1.6	1.0%
Product Group B	319.0	336.7	320.0	315.8	17.7	1.0	(3.2)	-1.0%
Product C1	195.7	200.5	201.0	193.1	4.8	5.3	(2.6)	-1.3%
Product CX	-	-	(13.5)	-	-	(13.5)	-	-
Product Group C	195.7	200.5	187.5	193.1	4.8	(8.2)	(2.6)	-1.3%
<b>Total Product Groups</b>	<b>1,037.1</b>	<b>1,067.4</b>	<b>1,008.2</b>	<b>1,010.0</b>	<b>30.3</b>	<b>(28.9)</b>	<b>(27.1)</b>	<b>-2.6%</b>

Static  
Summarised  
Passive

Dynamic



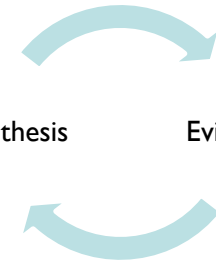
Filtered



Engaged

Hypothesis

Evidence



# **Why is this important?**

It will help our businesses be more successful

**It makes work fun!**



# Thank you



Dr Steve Morlidge

+44 7710 377386

[steve.morlidge@satoripartners.co.uk](mailto:steve.morlidge@satoripartners.co.uk)

**satori**  
*partners*