

itsf-konferansen 2024

WAKE ME UP!

IT for en bærekraftig fremtid

Clarion Hotel Oslo Airport, 7.-8. mars 2024



Beyond Budgeting: Tradisjonell ledelse og de mange illusjoner av kontroll

Bjarte Bogsnes

Bogsnes Advisory



Beyond Budgeting

- Illusjoner av kontroll innen
tradisjonell ledelse

itSMF 8 mars

Bjarte Bogsnes
Chairman Beyond Budgeting Roundtable
Founder Bogsnes Advisory

The illusion of control

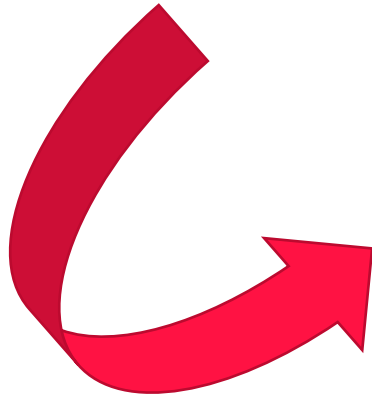
The definition

“The power to influence or direct people's behaviour or the course of events”



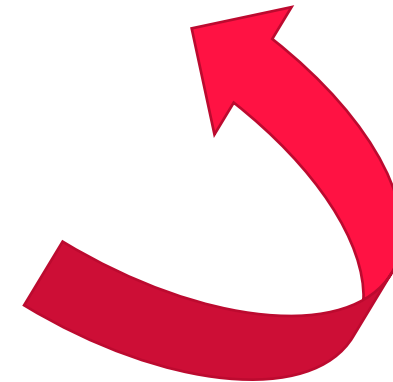
The grand illusion

- People can and must be managed
- The future is predictable and manageable

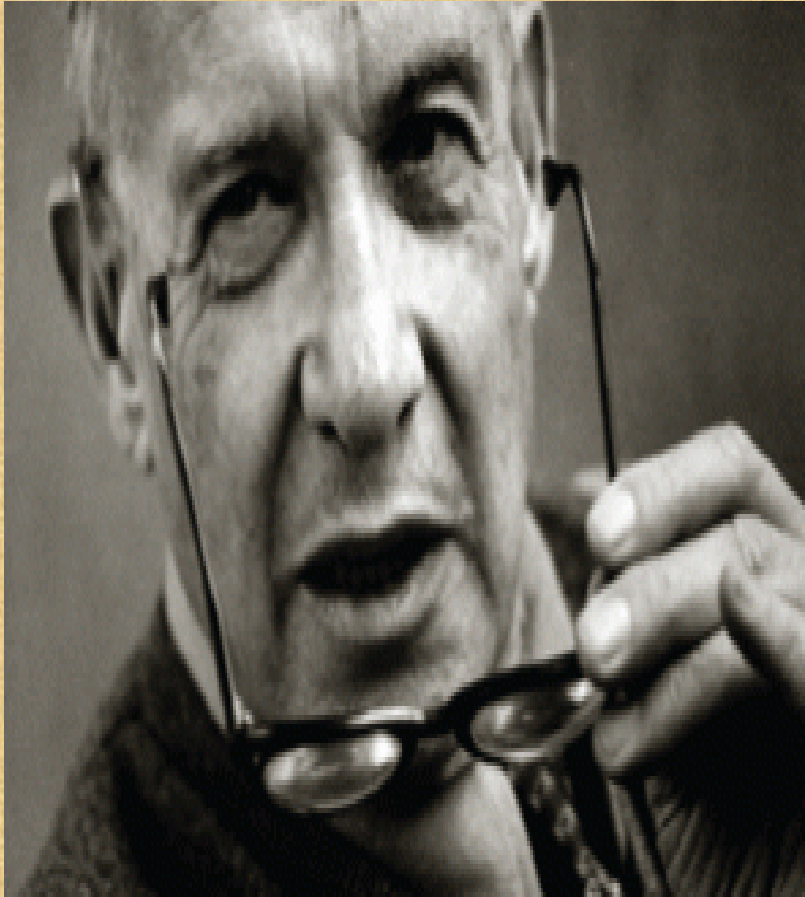


In business terms

- Controlling people
- Controlling the future







«Most of what we call
management is about
making it difficult for
people to do their job»

Peter Drucker

‘Most corporate planning is like a ritual rain dance. It has no effect on the weather, but those who engage in it think it does. Much of the advice and instruction is directed at improving the dancing not the weather’ - Russel L. Ackoff





The innovation paradox

Technology innovation

- a very crowded place

Leading edge!
Unique!
Forefront!

Management innovation

- not yet a crowded place

Great!

Scary!

Same purpose: Better performance!

Budget problems



Very time consuming



Assumptions quickly outdated



Stimulates unethical behaviours



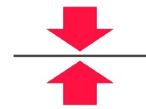
Creates illusions of control



Decisions made too early and often too high up



Can prevent value adding activities



Not just a ceiling for cost, also a floor



Often a bad yardstick for evaluating performance



Conflicting purposes

Irritating itches - or symptoms of a bigger problem?

Managing traffic performance - one alternative



Who is in control?

Based on which
information?

Managing traffic performance - another alternative

Who is in control?

Based on which
information?



Which is most **efficient** ?

Which is most **difficult** ?



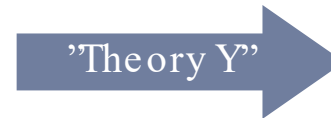
In which are **values** most important?

The world has changed
– what about the way we lead and manage?

Business environment

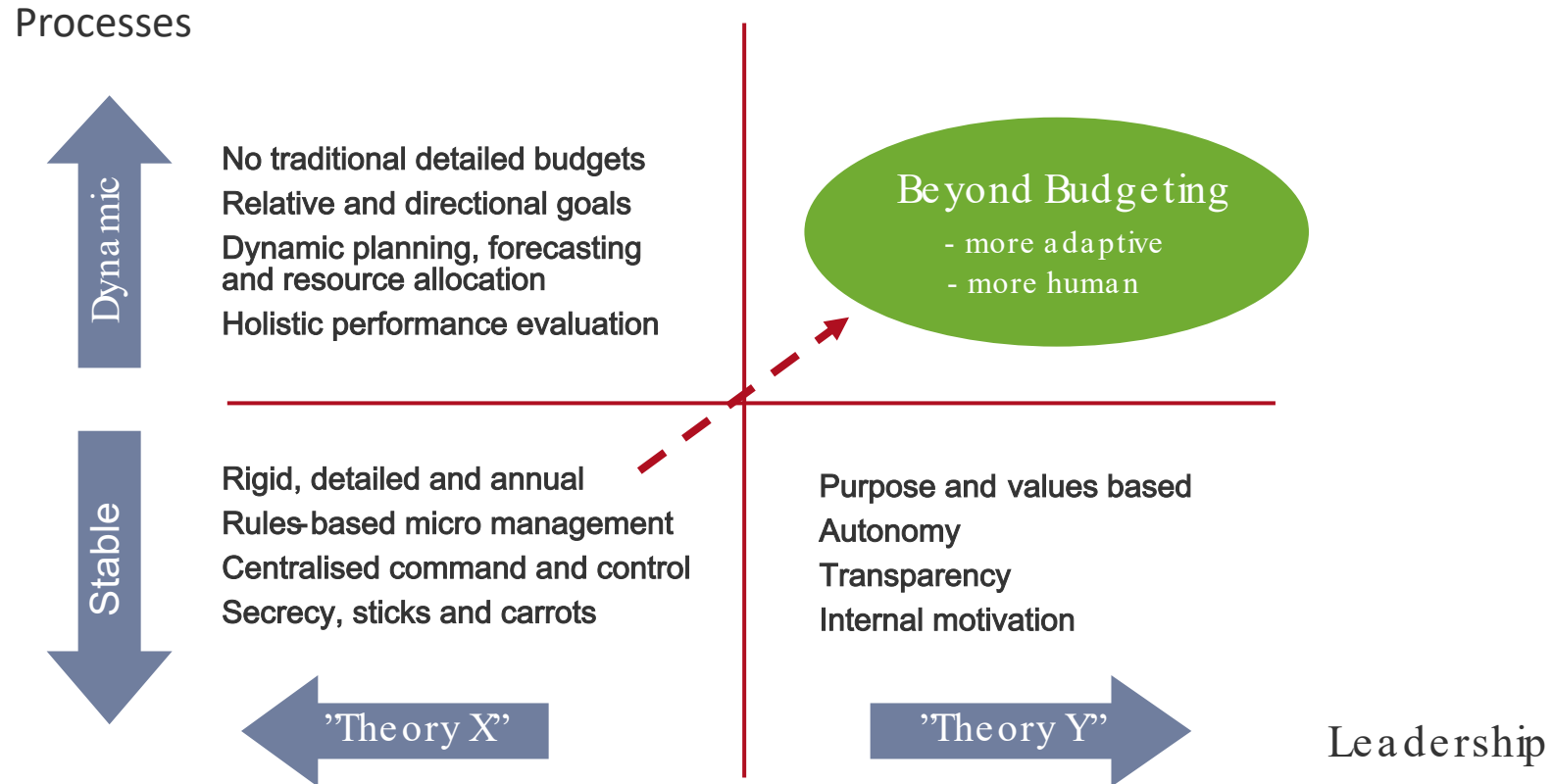


Traditional
management



People

We must change both processes and leadership



Beyond Budgeting

Performance. The Right Way.

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

Companies on the journey





Jan Wallander – former CEO
Handelsbanken (RIP)

«The budget is
in the best case,
**totally
unnecessary** ,
and in the worst
case, **actively
harmful** »

Getting started - solving the budget conflict

Budget purposes

- Target
- Forecast
- Resource allocation

Same number
Conflicting purposes

1. Separate



Target

An aspiration - what we want to happen



Forecast

An expectation – what we think will happen



Resource allocation

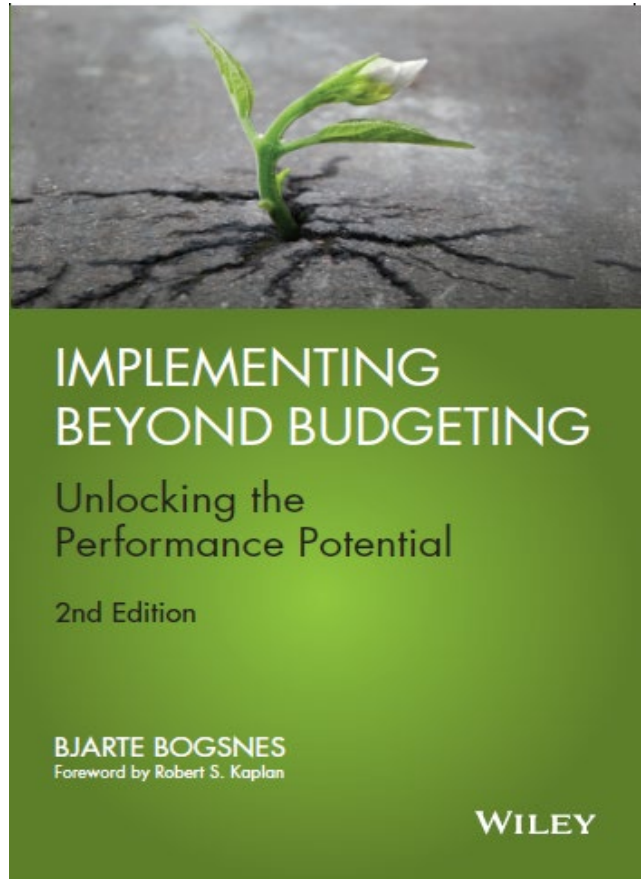
Optimization of scarce resources

Different numbers
Different processes

2. Improve

- Inspiring & stretching
- Relative where possible
- Basis for performance evaluation
- Unbiased- expected outcome
- Not a promise
- Limited detail
- More continuous allocation
- KPI targets, mandates, decision gates and decision criteria
- Trend monitoring

More event driven
Less calendar driven



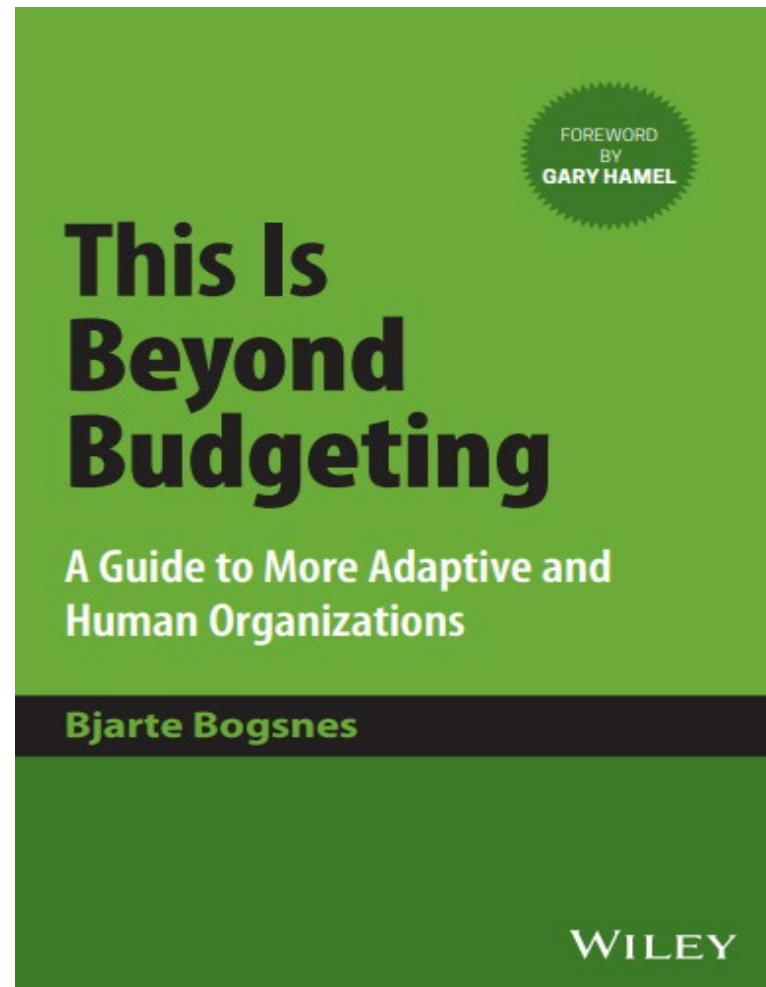
Want to hear more?

1. The problems with traditional management
2. The Beyond Budgeting model
Cases: Handelsbanken, Miles, Reitangruppen
3. The Borealis case
4. The Statoil case
5. Beyond Budgeting and Agile
6. Implementation advice

Wiley (US). Translated to German, Chinese, Japanese and Russian

"At last, Bjarne Bogsnes has made his experience and enthusiasm for Beyond Budgeting available for a wider audience with this remarkable book. I have appreciated his engagement in these important management issues for many years, and his knowledge and leadership has been critical in the transformation of our organization."

-Eldar Sætre, former CFO/CEO Equinor



Just out

Foreword by
Gary Hamel

Thank you
for listening!

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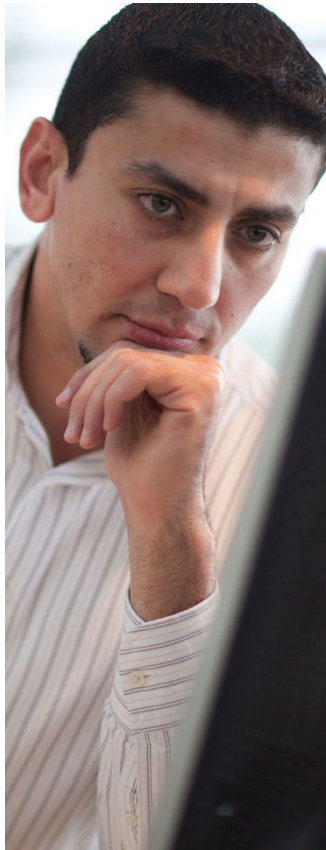
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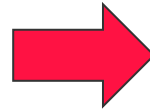
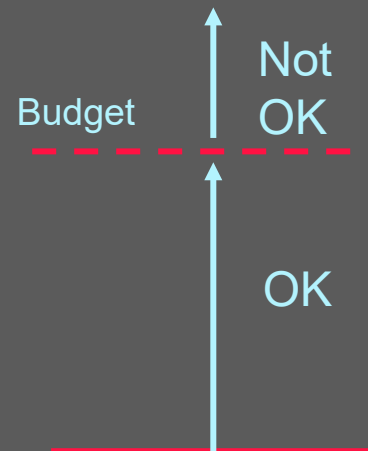
Beyond Budgeting Round Table - bbrt.org

Managing cost - the mindset required...

– cost conscious from the first cent



Do I have a budget for this?



Is this really necessary?

What is good enough?

How much value is this creating?

Is this within my execution framework?

