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Main contact numbers
Tel: 020 7920 8486
Fax: 020 7920 8784
Web site:
www.icaew.co.uk/members



Chris Jackson
(Head of Faculty)
Extn: 8525; Email:
Chris.Jackson@icaew.co.uk



Kirsten Fairhurst
(Services manager)
Extn: 8508; Email:
Kirsten.Fairhurst@icaew.co.uk



Judith Shackleton
(Technical manager)
Extn: 8426; Email:
Judith.Shackleton@icaew.co.uk



Debbie Came
(Administrator)
Extn: 8486; Email:
Debbie.Came@icaew.co.uk

Maria Carlstrom
(Administrator – on
maternity leave)
Maria.Carlstrom@icaew.co.uk

FINANCE & MANAGEMENT is edited and produced on behalf of the Faculty by Silverdart Ltd, Unit 211, Linton House, 164-180 Union Street, London SE1 0LH. Tel: 020 7928 7770, fax: 020 7928 7780, contact: Alex Murray, Gabrielle Liggett or Helen Fearnley.

The 'outsourcing' tool – some useful web sites

Readers interested in learning more about outsourcing, a popular management tool (page 3), may find these web sites helpful:

Outsourcing Experts – a discussion forum designed to answer outsourcing questions, the site includes an excellent FAQ (frequently asked questions) section, with some in depth answers with cross references to journal articles, plus a searchable glossary of terms, an archive of outsourcing research papers, and a summary of the report into global outsourcing. www.outsourcing-experts.com

Outsourcing Finance and Accounting – US-based outsourcing information centre targeted on finance, including articles on the realities of virtual accountants, and outsourcing in the accounting world. www.outsourcing-finance-and-accounting.com

Outsourcing Institute – a useful site from the international professional association in this field, which collects together a range of articles and news on outsourcing, as well as sections for its B2B marketplace and executive advisory network. Access to news and article database is free with registration. www.outsourcing.com

Sourcing Interests Group – a US-based site from a group representing leading corporations and supporting organisations in a range of fields, including outsourcing. The site includes a newsletter which features articles on outsourcing, a forum for discussing outsourcing topics, and an ask-the-expert feature with UK/US professionals.

The Library & Information Service's links pages can be accessed at www.icaew.co.uk/library.htm along with a series of Knowledge Guides.

August 2001

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Comments and suggestions about FINANCE & MANAGEMENT should be addressed to Chris Jackson BA FCA, Head of the Faculty (see left).

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ABSTRACTS FROM LIBCAT

Burns J – Tricks or treats?

Financial Management, March 2001: p33-35 (3 pages)

● The debate about the future of management accounting continues. Some argue that changes are undermining the basis of managing accounting, others see new opportunities opening up for those qualified to seize them. A recent survey funded by the University of Manchester considered the factors driving these changes, the management accountant's key tasks and the tools, skills and techniques needed to fulfil such tasks. The survey asked respondents about their experiences in the past five years (1995-2000), and their predictions for the next five years (2000-2005). The authors present the results of this research and

use the findings to examine the threats and the opportunities the changes to the role of management accountants pose.

Grundy T – Something fishy in managing financial strategy
Accounting and Business, Vol.4, No.1, January 2001: p39-40 (2 pages)

● In recent articles the author has argued the case for simplifying strategic thinking through the 'cunning plan' and illustrated the problems of not thinking strategically with the BMW and Rover case study. Whilst accountants are exhorted to look at the future for the bulk of the time, their concern is with past and present performance management. In this article the author puts the case

for managing financial performance strategically by three simple techniques: performance driver analysis; fishbone analysis; and attractiveness-implementation difficulty (AID) analysis.

Latimer M F – Linking strategy-based costing and innovation-based budgeting

Strategic Finance, Vol.82, No.9, March 2001: p39-42 (4 pages)

● Successful companies like 3M, Sony, and Motorola constantly innovate, according to the author. One way to achieve continuous innovation is by breaking down costs into three categories – strategic, elective, and obligatory. By refocusing these costs, your company can continue to stay at the leading edge.

<http://www.icaew.co.uk/library.htm>

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Why the 'old' management tools are still the most popular



'New economy' management tools are less popular than more established ones, according to the latest **Bain & Company** annual survey. Its 'Management Tools' survey for 2000 showed a distinct tendency, among the 451 chief executives responding, to stick with the familiar, as Helen Fearnley reports.

Leading executives still rate the 'tried and true' over the 'new economy' when it comes to their choice of management tools. Indeed, according to Bain & Company's 8th annual global 'Management Tools' survey, published in July, the more established tools were twice as popular as the newer ones in 2000.

However, that does not mean the respondents dismissed new technology out of hand. Some 62% of senior executives surveyed did not believe they had yet fully exploited the internet's potential.

Bain's investigation into such preferences is masterminded each year by Darrell Rigby, a director of the global strategy consulting firm and the original founder of the tools survey.

The survey's findings are based on the insights of 451 senior executives from Europe, Asia, Africa and the Americas. It examines the usage, satisfaction and effectiveness of 25 management tools widely used in 2000 by companies spread across more than 30 industries in 22 countries.

Tried and true

This year's results revealed that executives are opting, by better than two to one, for classic, 'tried-and-true' rather than 'new economy' tools, to address fundamentals of cost and corporate direction. The trend is accelerating as executives in 2000 defected at up to five times the mean

from 'new economy' tools like corporate venturing and customer relationship management (CRM) – once thought to provide quick and easy paths to growth.

Nearly half the executives who set up corporate venturing funds, for example – often to take stakes in, or create internet start-ups – abandoned the tool in 2000: one of the highest defection rates in the survey's history. Defections from six such 'new economy' tools in the survey, averaged 20%, more than twice the rate of abandonment from remaining tools, which have long been part of managers' toolkits.

"During a year when executives jumped on the internet bandwagon to seek quick and easy growth, they found no new tool paved the road to riches," Rigby observes.

The most widely used tools cited by senior managers in 2000 remain the same as in 1999. They are:

- strategic planning (76%);
- mission and vision statements (70%); and
- benchmarking (69%).

And among the top 10 tools, cost management techniques like outsourcing moved up in usage. However, all of the top 10 tools have extensive endorsements: they have been used by, at minimum, nearly half of the corporate population in each of the

eight years Bain has captured data on their usage.

"The data show that when times gets tough, we trust the familiar – managers fall back on widely understood tools that have been successful for them in the past," says Rigby. "You have to recognise that tools are just tools, but they do have an impact when they are used as part of a major corporate effort."

Hunger for e-commerce soars

The survey finds that the web is far from dead in the corporate world, however. Some 62% of executives said that their companies have yet to exploit the internet fully – and only 11% thought their companies had overspent on e-commerce, while 69% disagreed. Some 49% said they were aggressively expanding their e-commerce offerings. Only 23% of respondents sadistically agreed it was "fun to watch the dot-coms fail," while 44% disagreed that "almost all young entrepreneurs lack the expertise necessary to build great companies," versus 34% who agreed.

Three 'new economy' tools are turnoffs

Meanwhile, only about a third or fewer respondents adopted the 'new economy tools' most frequently cited in the press, including:

- market disruption analysis – used to identify changes in the competitive landscape, such as a new technology, that can rapidly shift customer preferences and threaten core businesses;
- corporate venturing – used to build new businesses with venture capital disciplines, often in hope of creating public spin-offs; and
- customer relationship management – aimed at turning technology toward identifying and retaining valuable customers.

These three also posted the lowest satisfaction ratings and are among the highest in defections. For example, 42% of users abandoned corporate venturing in 2000 versus 11% for tools on average. Some 39% dropped market disruption analysis, and 18% of users defected from CRM.

Other 'new economy' tools surveyed included knowledge management,

one-to-one marketing and supply chain integration.

"We know that people are still hooked on growth," says Rigby, "But some of the tools and techniques that people thought were going to supply easy solutions aren't panning out, and people are saying, 'I think this is a lesson I've learned before: diversification is dangerous.'"

Most tools face unrealistic expectations

Despite dissatisfaction with some tools, 73% of respondents said they wanted to stay at the cutting edge of tools (the average company used 10 of the top 25 tools in 2000 alone), even though 77% feel that most management tools promise more than they deliver.

According to Rigby, the biggest problem with tools is most executives have unrealistic expectations of their performance, so they shift efforts from one new tool to another.

The right tool can net results

Meanwhile, executives said satisfaction with tools varied with the job. Much as hammers are effective at banging nails, but poor at trimming hedges, different management tools proved both more and less useful at achieving different goals.

Tools generating the most satisfaction for achieving financial results (the number one priority of 58% of respondents) included:

- pay-for-performance;
- shareholder value analysis; and
- cycle-time-reduction.

Tools best at growing customer equity included:

- customer satisfaction measurement;
- customer relationship management;
- total quality management; and
- customer segmentation.

To improve competitive positioning, those surveyed vouched for:



'Much as hammers are effective at banging in nails, but poor at trimming hedges...'

- strategic planning;
- total quality management; and
- strategic alliances.

To grow long-term performance capabilities, respondents expressed highest satisfaction with:

- strategic planning;
- cycle-time-reduction; and
- total quality management.

And to bolster integration efforts across an organisation, executives voted for:

- strategic planning;
- total quality management; and
- mission and vision statements.

Overall, executives are focusing on slightly fewer tools this year than last, with the average number employed down from 11.4 to 10.4. Nearly every year since Bain began the survey, the actual use of tools has fallen short of the forecasted use from the previous year's study. This suggests that companies may drop a tool when it disappoints, or use repeatedly those that satisfy. Still, executives' aspirations for using tools remain high.

And well they should. Only 25% of respondents thought today's market leaders will still be leaders five years from now. Thus turbulence is set to be the steady state of business, and executives will need all the sound navigational equipment they can muster.

Bain & Company is a global business consulting firm, serving clients across six continents. See www.bain.com.

For copies of the survey, email: cheryl.krauss@bain.com

Penny Bickerstaff – bespoke consultant

In a new series that looks at some of the faces that comprise the Faculty, we profile **Penny Bickerstaff** (pictured below) – mistress of the bespoke management solution. As well as being a Faculty member, she is also president of the Institute of Management Consultants.

For those who believe management consultants all work in large household-name organisations, selling pricey blanket solutions with no commensurately all-embracing guarantee of their success, Faculty member and management consultant Penny Bickerstaff is likely to come as a sharp shock to the preconceptions.

Not only has Penny spent more than a decade heading her own successful eponymous consultancy (Penny Bickerstaff Associates) specialising in change and financial management for blue chip clients, she is also the current president of the Institute of Management Consultants (IMC).

To those achievements you must add a first class honours law degree, fellowship of the ICAEW, and substantial stints working on both the consultancy (Deloitte Haskins & Sells, as it was then) and the business (ITN, WEA Records) sides of the fence.

If you then subtract about 15 years from the approximate age that range of experience suggests, the full picture at last begins to emerge. She is a non-stereotypical, sole-practitioner management consultant, who is also heading the only consultancy body in the UK providing a professional qualification in the sector while trying to maintain and improve best practice and ethical standards.



How it started

Penny's original ambition to be a lawyer cooled almost before she achieved her first class degree. Plan B, to qualify as an accountant for the overall business grounding it would provide, looked like suffering a similar fate. Her desire to be in the field of providing added value business advice was initially frustrated by the rather more prosaic training techniques. As she puts it, "The whole emphasis was on getting the numbers right. The concept of 'audit plus' didn't exist then, really. And although the training was useful, particularly in providing insight into blue chip companies within different industries, it was too dry for my taste. Even now, though there has been significant change, I believe it is still difficult to 'sell' companies the idea that auditors can offer more in terms of business advice."

Worse, although her qualifications in law and accountancy made merchant banking an obvious next step, Penny realised with foreboding that, in its early stages at least, that would involve very similar activities to those she was already performing, such as "more proof-reading of documents at the printers – something I just could not face."

Fortunately, reprieve was at hand. Recruitment consultants used to stand outside the examination hall on the day of the accountancy finals, to catch finalists at just such a low ebb with the profession, and in that way Penny got a job with record company WEA as its manager of financial analysis and business planning.

A swift culture shock ensued, on both sides. Penny turned up at 9.30 am on her first day, having allowed time for her new employers to precede her, and found the offices empty. The record business, it emerged, started and finished work far later than accountants. Then, with the realisation that the fridge in her office was to be stocked with drinks for entertaining visitors, she tumbled that the record industry would prove a more glamorous working environment than had the accountancy profession.

For WEA's part, from a pre-Penny era in which the finance people had apparently been never seen and rarely heard, it experienced the novelty of

someone who made it her business to talk to the music side. As she recalls, "I did wonder, then, whether all my fine ideas about adding value could be put into practice. Would I be able to convince these people who were more interested in the music than the money, that they should use financial techniques to make real-life commercial decisions?"

As it turned out, she need not have worried. By subtly introducing such techniques under deceptively user-friendly guises, she inculcated a new-found interest in the figures side. Indeed, one newly-enthused executive returned from a finance seminar convinced that WEA should be using break-even analysis, only to realise that Penny had already implemented it in all but name.

Two-pronged

In 1986 she was offered a three month public speaking scholarship in America, based at the University of Miami, and essentially involving "addressing Florida businessmen at Rotary lunches". On her return, by now intent on becoming a management consultant with one of the accounting-based consultancies, Penny joined the then Deloitte Haskins & Sells (now part of PricewaterhouseCoopers).

There she enjoyed "a fabulous training". The approach was two-pronged, she says: "First, it involved further in-depth training in the individual's chosen field – in my case, finance. Then, one was giving training in the skills needed to work as a consultant: interviewing and data gathering, presenting, and the consulting process. Controversially for the time, this included a thorough understanding of such issues as the difficulty of accepting change."

After working on a wide range of assignments with blue chip companies Penny was then given a sort of 'breather' in the form of a smaller project reviewing ITN's finance function. One of her recommendations to ITN, that a finance director should be found, resulted in her being offered the post herself, and taking it up – initially on secondment from Deloitte's, then on a permanent basis – feeling that it was "too good an offer to pass up at 29".

It was an exciting time, with many changes underway for television companies, and one which gave her invaluable insights – salted away for later use as a consultant – of how it felt to work on the 'inside' of that industry. She also came to realise the "compelling and competing pressures on a senior manager" – her own responsibilities covering not only the implementation of her own former recommendations as a consultant, but also the handling of general finance matters and shareholder/investor relations.

In 1990, Penny decided to go freelance as a consultant – mainly a lifestyle-based decision. As she puts it now "I wanted to have children and didn't see how, with the long hours I was working, I would have time to conceive – let alone see – them".

Sophisticated

The decision was perhaps more successful than she had dared hope. Her fears that the longer she was away from close involvement with the host organisations, the more her work would be marginalised, were unfounded. In the past decade she has worked with a range of blue-chip companies on "a testing set of change management issues".

She now has her own theory about that happy turn of events: "I think clients are getting more sophisticated in their choice of consultants, matching them more clearly to the type of work envisaged. So for a big IT application which is going to require a lot of people with deep technical expertise, they will choose one of the big name consultancies.

"Likewise a big consultancy would be chosen to move a big project, for example value based management (VBM), across the organisation. But where a job is not on such a scale, but requires expertise from people who have worked on similar projects before, niche consultants will be used.

"In my own case, about half the work I do alone, advising senior management on specific issues. The other 50% is done leading or working in small mixed project teams of contractors to provide bespoke solutions for managing significant change in client organisations."

Certainly Penny believes that the market for consultants is spreading. And, wearing her IMC president's hat, one of her main objectives is establishing and maintaining uniformly high professional standards. The outcome of adopting consultants' advice is never guaranteed, and she acknowledges that organisations thinking of using them could be justifiably nervous that future business success will depend on their relatively untried abilities.

Reliable

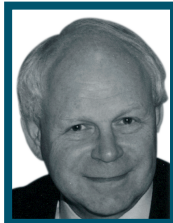
Hence her concern that the IMC's Certified Management Consultant qualification be demonstrated to be a reliable indicator of the holder's skills – particularly as more consultants are now entering as graduates rather than from other professional disciplines. The CMC is, she explains, "A competency based qualification, which requires evidence of the individual's management ability, technical training (accountancy, marketing, or whatever), and consultancy track record (necessitating three independent client referees), and includes an assessment interview. This interview along with the qualities just described, also covers the candidate's political, economic, social, technological, legal, and environmental awareness."

This qualification – backed up by a code of professional conduct, and ethical guidelines, is the only career qualification for practising management consultants. It is also – necessarily, given the nature of the business – international, being recognised in those countries with national institutes belonging to the International Council of Management Consulting Institutes (ICMCI).

Despite all this activity, both in her own consultancy and as head of the profession's leading body, Penny's appetite for further learning and networking opportunities seems undiminished. Professing a general enthusiasm for what the Faculty does, she singles out particularly its lectures ("so useful to be able to listen to someone discussing a management theory or tool without an axe to grind"), the *Good Practice Guideline* ("a valuable starting point on any given subject"), and the Faculty's general ability to provide help and information. Praise indeed, from someone so *au fait* with how organisations ought to work!

The case for a budget-free model

The 'Beyond Budgeting' conference produced persuasive arguments for a budget-free management model. CAM-I programme directors **Robin Fraser** (*top left*) and **Peter Bunce** (*top right*) discussed the logic, with Bulmers' finance manager **David Berkeley** (*bottom*) reporting on his two years' experience without a fixed budget.



The notion of abandoning the annual chore of budget setting obviously has immense appeal. The Faculty's Beyond Budgeting conference, in late May, was significantly oversubscribed and its speakers questioned closely on the practicalities, as much as the underlying logic, of implementing this revolutionary approach.

Opening speaker Robin Fraser, programme director of the research group CAM-I's Beyond Budgeting Round Table (BBRT), revealed just how much thinking on budgets has shifted, in recent years.

CAM-I's conclusions from its first (1993/4) research into a better way of budgeting had been that the real solution lay not in improved ways of planning budgets, but in their replacement altogether, as part of a new business model more geared to the information age.

Back then, such a move was unacceptably radical for some CAM-I members and was not pursued. Now, however, the growing number of successful high-profile companies operating with just such a budget-less model has reinforced CAM-I's thinking. Examples now include Svenska Handelsbanken, Volvo, Boots, IKEA, Skandia, TetraPak, Bulmers and UDV/Diageo.

Inspired by some of these pioneers, in 1998 CAM-I established its Beyond Budgeting Round Table to study their methods and try to define the ideal budget-free model. Some 50 companies from the service, manufacturing and charity sectors have participated in the BBRT since its inception. Its subject matter, Fraser said, is widely relevant; "Everybody is coming to recognise the limitations of budgets".

The real problem

The BBRT research found the central problem to be that annual budgets are inappropriate in the information age.

A budget-centric 'efficiency' mindset worked well in the industrial age, with its steady continuous change and high levels of predictability, with capital being the main resource, and most companies basing their model on economies of scale.

Now, though, the business environment offers little predictability and

the pace of change is rapid. A new strategy is obviously required. Yet most companies are soldiering on with the earlier model.

Summarising the opportunities for 'better budgeting', Fraser conceded that zero-base budgeting (ZBB) can be a useful one-off exercise but is time-consuming, costly and rarely repeated. Activity-based budgeting (ABB), he said, can be a useful way to manage resources better. And faster, cheaper, more frequent budgeting (FCB) helps, but does not address the inherent weakness of depending on a budget. Such methods, he concluded, are "useful processes, but if the result is a budget – BEWARE".

Instead, he said, the real requirement is an 'adaptive' mindset, without budgets. He likened this to a taxi service (responding daily to unanticipated requests in unpredictable environments); while the old, more prevalent model is more akin to a bus company (set routes, rates, and times, and little further concern with customer needs).

Current factors crucial for success, Fraser said, are speed of response, keeping the best people (to maintain high intellectual capital), continuous innovation (in answer to increasingly short life cycles), operational excellence (to counter pressure on prices), customer intimacy (to deal with consumer fickleness), and sustainable value (to meet shareholders' demands).

The old model's hierarchical rigidity, 'command and control' ethos, centralised bureaucracy, product obsession, short-term promises and budget mentality all present barriers to realising these success factors. And the budget itself often takes six months or more of management time to prepare.

The BBRT's recommended model is based on a devolved network in which central control is replaced by local autonomy, and uses adaptive management processes – the goal being to 'beat the competition', rather than 'beat the budget'. Here, leadership involves challenging and coaching, the governance is entrepreneurial, decisions are made quickly, accountability is customer- rather than internally-focused, and co-ordination is simple and low cost.

FIGURE 1

HANDELSBANKEN'S ADAPTIVE PROCESSES



The old tendency, under what Fraser termed the 'connected' budget-based model, is to be self-protective, negotiate the lowest (most easily met) targets, keep strategy cautious and incremental, and retain more resources than necessary – 'just in case'. It engenders a fear of failure (and, consequently, loss of personal rewards). His suggested 'disconnected' model instead involves stretched targets, innovative adaptive strategies, resources allocated only as needed, and the reward of peer recognition rather than personal gain.

Some interesting research, he noted, showed that when large companies were given a description of Soviet-style central planning, they recognised it as being how they themselves operated. Or, as management guru Gary Hamel has put it "the last bastion of Soviet-style central planning can be found in the Fortune 500 companies – it's called resource allocation. Big companies are not markets, they are hierarchies."

Succeeding without budgets

The BBRT has studied cases of organisations operating successfully without budgets, one of the most outstanding of which is Svenska Handelsbanken. This bank has amongst the lowest cost-income ratios of all European retail banks, high customer satisfaction, low staff turnover, and 25% or more per annum total shareholder returns for the past 28 years.

Yet, over those 28 years it has rejoiced in an absence of many other things besides budgets – namely fixed targets, formal forecasting, fixed plans, central marketing, product leadership, individual incentives and – to a large degree – hierarchy.

There are only four levels of management between the lowest-ranking of Handelsbanken employees and the chief executive, with local branch managers having a high degree of autonomy, being able to make loans of up to £1 million without referring upwards, for example, and responsibility for their own profit and loss.

Far from individual incentivisation, a share of all profits in excess of the average of their competitors' is put into a fund for employees on their retirement – ensuring long-term corporate loyalty. The only individual incentivisation comes from the peer recognition for those performing well in the regularly published league tables of branch and regional performance. Figure 1 (above) sums up Handelsbanken's adaptive processes.

The BBRT model

Fraser described the 12 building blocks the BBRT has identified for a coherent model in tune with the new economy. These are categorised under the model's two central pillars of achieving local autonomy and beating the competition.

Building blocks for local autonomy

- Governance – based on values and boundaries, not rules and procedures;
- empowerment – giving front line people the freedom and capability to act;
- accountability – for competitive outcomes, not merely adherence to a plan;
- organisation – based on a flat network of customer-oriented units, not a functional hierarchy;
- co-ordination – through market-like forces, not centralised planning; and

- leadership – through challenge and coaching, not command and control.

Building blocks for beating the competition

- Goals – based on relative competitiveness, not negotiated, fixed targets;
- strategy – an open and continuous process, not a top-down annual event;
- forecasting – used to inform adaptive strategy, not to 'keep on track';
- resources – available as required, not allocated annually;
- measures – fast and open, and primarily for local, not central control; and
- rewards – relative team-based rewards, not negotiated, individual incentives.

Figure 2 (opposite) shows the old (linear) and proposed, continuously adapting models. However, Fraser warned, the move from the old style of management based on short-term promises, to one promising long-term competitiveness, could not be achieved with a 'pick and mix' approach; the whole model has to be embraced.

Management tools, he added, must be used to support the new model. Management information systems, the balanced scorecard, value based management, activity based management, rolling forecasts and benchmarking can all assist the BBRT model – but not if they are used to support the 'old' hierarchical, 'keeping on track' principles of a budget-based model.

How Bulmers has fared, beyond traditional budgets

The conference also provided feedback from a UK company already managing very nicely without budgets. As Bulmers finance manager David Berkeley described, for the past two years that company has successfully negotiated its way in a rapidly changing drinks market despite having effectively done away with the traditional budgeting process.

The background to this change, he explained, involved both internal and external factors. Referring back to a stipulation that Robin Fraser had made – that a company needs a

'burning platform' on which to sell the move to a new management model – Berkeley described what that had been in Bulmers' case.

Its previous focus on cider had begun to look unwise in an increasingly competitive UK market for long alcoholic drinks (LADS). There was also a declining consumption in on-trade drinks (bought in pubs) and high margin pressure on the take home trade (exacerbated by the UK advent of Walmart, and the prevalence of deals of the buy-one-get-one-free – BOGOF – nature).

At the same time internal change came in the form of a new chief executive in early 1998. Mike Hughes (formerly of Diageo), favoured a much less hierarchical management style, encouraging all employees to 'take ownership' of the company. He encouraged them to challenge each other on the way things were done (on the understanding that there is always a better way). A 'can do' attitude was fostered.

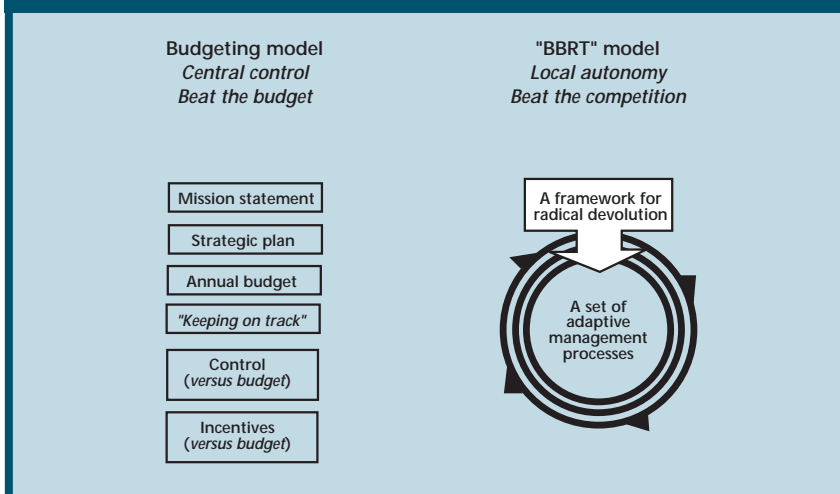
Under this changed style Bulmers adopted a new strategy, including a goal of being a £1 billion business within five years.

Berkeley elaborated on some of the weaknesses inherent in traditional budgeting, such as non-alignment between different departments' strategies, an unnecessary degree of detail and complexity, and the inevitable establishment of a ceiling to income and floor to costs. Additionally, he said, a budget as a working document makes no allowance for – and is often overtaken by – rapid change in the business environment, becoming less relevant as the year progresses, yet giving rise to much time being expended on trying to understand variances from its figures.

In June 1999, as a natural consequence of the change programme initiated under Hughes, Bulmers joined the BBRT. Berkeley, admitting to having wasted plenty of his own time in past budget planning, said this budget-free regime was "very easy to promote". He made its key selling points the better use of resources and a more flexible forecasting process, and presented it to most business users as "something we're not going to do", rather than a new process.

FIGURE 2

BUDGETING AND BBRT MODELS



There were some pockets of resistance from managers who saw their allocation under the old budget as a personal 'pot of gold', and that budget as the only form of control. But soon they came to see the benefits of no pre-ordained levels of resources, but their being made available if justified to support a value-adding idea.

Now Bulmers focuses on strategy and top-line brand or customer performance, but its targets are much less complex. Hence the goal of, say, a year-on-year profit increase of 10%, but not tied to any particular source, means that managers have the freedom to focus on market trends. The modus operandi is six monthly rolling forecasts with only the first three planned in detail. Spend is based on the percentage uplift, year-on-year, managed at the top level. Overheads are based on the headcount, with the focus on adding value by redeploying people into areas where more resources are needed.

The benefits to date, Berkeley said, have been freed-up resource time, more focus on strategy, better inter-departmental alignment, no need for excessive reworks of the budget, and a more flexible process. For the future, he hoped for a better understanding of the outcome of strategies, greater ownership of the group's plans at all levels, the introduction of competitor key performance indicators (KPIs), for better understanding of operating performance, and a total buy-in from all team members (with no reverting to budget-philic type!).

The BBRT program

Peter Bunce, also a CAM-I programme director, offered practical steps for those wanting to move to a new model. He described the BBRT benchmarking and diagnostic project, with its main objectives of enabling companies to benchmark themselves against the BBRT model and other companies and helping companies implement the model. The analysis will also help to verify the superiority of the BBRT model in terms of improved competitive performance.

Those companies participating in the benchmarking can elect to go through four evaluating and planning stages – 'the case for change', 'changes required', 'competitive targets', and 'vision and plan' – each resulting in a detailed report, the first of which ('the case for change') is provided free. From the mood of the conference, many such reports are even now being prepared.

CAM-I is a collaborative not-for-profit membership research organisation tel: 01202 670717, or visit www.cam-i.org.

For further information on the BBRT, visit www.bbtt.org. Details of the BBRT benchmarking project can be found at www.project.bbtt.org. Visitors can participate in the benchmarking questionnaire.

David Berkeley is finance manager of Bulmers.

To obtain a conference video, see page 11.

STRATEGY UPDATE

Time to focus on process efficiency

In this strategy update column **Chris Hughes-Rees** takes stock of current economic conditions. He discusses the rights



and wrongs of downsizing, and why a focus on continuously improving efficiency is key.

These are tough times. First it seemed that manufacturing was bearing the brunt here in the UK and now the downturn is impacting the service sector. But in tough times, throughout corporate history, the natural inclination has been to cut costs and maybe cut them savagely, indiscriminately and without a focus on the future. The dreaded management word to describe this reaction is 'downsizing'.

Does all this make sense? My view is that we should always be working on continuously improving business process efficiency. But the tendency is to neglect this efficiency drive when things go well. At such times management hire more people, simultaneously becoming less selective in their recruitment policies. Often they hire what is available rather than what is needed. This brings dilution of the skills and quality base – producing a workforce that is less able to understand, contribute to, and deliver continuous improvement in efficiency and that magical word 'process'. Over time this manifests itself in reduced efficiency, especially crucial when growing – where inefficiencies become expanded.

Resource base

Then, with the dreaded downturn, 'downsizing' becomes a necessary part of the cost drive. Certainly, however efficient a management, it may now have to do something with its resource base, but the causes are often partly self-inflicted rather than totally the fault of the economic environment. The price for that inadequately managed growth must be paid – the highest price usually by those that lose their jobs. Nobody in fact wins.

Then what happens? Economic conditions improve and the recruitment cycle starts all over again. The management hires in employees who have to learn the business, pays out recruitment fees, spends more on training, and so on. This is all after probably paying out potentially quite significant severance costs. It is seriously kidding itself in believing that money has been saved in the long run.

I will not lose sight of the fact that tough times mean that cash is often in short supply and that some efficient resource adjustment must happen. But think of the near term cash

impact of severance costs combined with the problems of being resource starved when the economic environment turns around.

I, for one, would like to see a well-managed business use resources smartly in flexible working practices such as focusing on process change, if employees are under-stretched in their usual roles. If you like, get some external insight and fresh ideas by hiring in a few consultants; but team up with them using your own staff. This will inject inside business understanding and also enable some very useful skills transfer across to your own team from the consulting expertise. Manage your consultants, don't let them manage you!

Strongest image

In spite of all the management guru pronouncements over the years, there is still an alarming amount of inefficiency in businesses, large and small. In fact, it is often those that have the strongest image and brand names that are the worst. The wastage in time, resource and the resulting impact on ultimate customer delivery and product / service quality is little short of frightening. So-called successful businesses (and here I am crudely measuring success in terms of profits growth) are in fact breeding inefficiency in their core business processes by thinking they are well managed.

What has all this to do with strategy? Plenty. One of the core requirements of setting strategy is to understand the current capabilities of the business and what it needs to change to support the ongoing implementation of its strategy. This will include the right mix and quality of resources, the right technology platform and of course the right process framework and capability. Developing a strategy is far beyond business targets. It commands a thorough understanding of today's business and its processes.

Maybe the arguments outlined here will provoke a much-needed thorough overhaul, rather than a round of downsizing.

Chris Hughes-Rees is an independent strategy and business change consultant. Tel: 01628 528969 or email: chr@strategic-process.com

FORTHCOMING FACULTY EVENTS - 2001

To attend any Faculty event, please fill out the form which adjoins this page, remove it by tearing along the perforation, and mail it or fax it to Kirsten Fairhurst at the Faculty's address given on the bottom of the form. If you have any queries relating to these or other events please contact Kirsten Fairhurst on 020 7920 8486.

- 18 September
EVENING
LECTURE
(Chartered Accountants' Hall, London)

'THE BALANCED SCORECARD' – ROBIN BELLIS-JONES, MANAGING DIRECTOR, BELLIS-JONES, HILL & PRODACAPO.

The balanced scorecard has established itself as a definitive management tool of the 21st century enabling the vision of a strategy-focused organisation to become a reality. The lecture will begin with a short introduction, moving on to discuss implementation issues and then concentrating on maintaining momentum and the areas of difficulty commonly encountered. Registration 5.45pm; lecture 6.00pm; buffet and networking 7.00pm.
- 26 September
HALF DAY
CONFERENCE
(Waterman's Hall, London)

'HOW MARKETING DRIVES SHAREHOLDER VALUE' – SPEAKERS FROM CRANFIELD SCHOOL OF MANAGEMENT AND OTHERS.

This Cranfield event, held in London and free to Faculty members, will examine: the key role accountants must play in ensuring that marketing investments deliver value; the best way to estimate marketing costs and forecast future revenue streams; the financial components of brand value creation; and how to justify marketing investments to boards of directors and the stock markets. Registration 8.00am; conference 8.30am-1.00pm.
- 16 October
BREAKFAST
SEMINAR
(Chartered Accountants' Hall, London)

'BUDGETING AND PLANNING FOR THE 21ST CENTURY' – JOHN MCKENZIE, ARMSTRONG LAING.

This seminar looks at the increasing inability of budgets to deliver, and explores ways for companies to develop more dynamic budgeting processes that go beyond numbers and tie in with the way businesses consume resources whilst still providing appropriate controls in today's changing business environment. Registration/breakfast 8.00am; seminar 8.30am-10.00am.
- 25 October
ONE DAY
CONFERENCE
(Chartered Accountants' Hall, London)

'SHAREHOLDER VALUE – FROM MEASUREMENT TO MANAGEMENT' – SPEAKERS FROM SHAREVALUER, ATC, MARCONI, CADBURY SCHWEPPE, BAE SYSTEMS, KEPLER ASSOCIATES, AND VALUE PARTNERSHIP.

This conference considers both the 'measurement' of and the broader aspects related to the 'management' of value creation. Specifically the conference will cover issues such as: understanding the investor's perspective on value creation; identifying appropriate performance measures to guide value creation; using software tools to support value creation; and understanding and overcoming the implementation challenges inherent in 'managing for value'. Registration 9.00am; conference 9.30am-4.25pm.
- 28 November
EVENING
LECTURE
(Chartered Accountants' Hall, London)

'CUSTOMER RELATIONSHIP MANAGEMENT' – DR ROBERT SHAW, MARKETING BEST PRACTICE INTERNATIONAL LTD.

Customer relationship management (CRM) has established itself as one of the biggest investments that companies are making today. At its best, it drives up customer profitability and shareholder value. But at its worst, it is a disastrous waste of time and money. This seminar describes the critical success factors and the role of financial management. Registration 5.45pm; lecture 6.00pm; buffet and networking 7.00pm.

RECORDINGS OF FACULTY LECTURES

Recordings of the London lectures are available, in both **audio** and **video** format. To obtain a recording, please tick the audio and/or video box on the tear-off response form opposite.

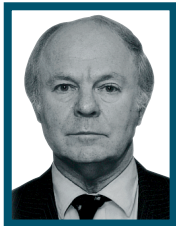
There is a charge of £5.00 for audio recordings and £10.00 for video.

THIS MONTH

BEYOND BUDGETING
Robin Fraser and Peter Bunce of the Beyond Budgeting Round Table CAM-I Inc illustrate how to manage performance better without budgets – plus a contribution from David Berkeley of Bulmers.

In two minds about managing your team?

In the first of two articles on team management, **Richard Alston** defines the basic skills



required. The second article will set out specific management steps for its optimum execution.

Dr Richard Alston ran an international strategy consultancy before his recent retirement. He is now running distance learning MBA (Management) courses for a private university. Email: rabath@supanet.com

Professor Henry Mintzberg, of McGill University, was fond of relating a folk tale from the Middle East, as follows:

"A man named Nasrudin was searching for something on the ground when a friend came by and asked: 'What have you lost, Nasrudin?'. 'My key', said Nasrudin. So the friend went down on his knees and helped with the search – then the friend asked: 'Where exactly did you drop it?'. Nasrudin answered: 'In my house'. 'Then why are you looking here?', said the friend. 'There is more light here than inside my house' was the reply."

Distinct

Mintzberg, author of the classic Harvard Business Review article 'Planning on the Left Side and Managing on the Right', points out that scientists have long known that the brain has two distinct hemispheres, that in the left hemisphere of most people's brains the operation appears to be largely linear, processing information sequentially, while the right hemisphere appears to operate in a more holistic, relational way. With this framework, Mintzberg* poses three questions:

First: Why are some people so smart and so dull at the same time, so capable of mastering certain mental activities yet so incapable of mastering others? Why is it that some of the most creative thinkers cannot comprehend a balance sheet, and that some accountants have no sense of product design?

Second: Why do people sometimes express such surprise when they read or learn the obvious, something they already must know?

Third: Why is there such a discrepancy in organisations, at least at the

top levels, between formal planning and informal managing?

Mintzberg suggests (1), that an individual may be smart and dull at the same time simply because one side of his or her brain is more developed than the other; that (2) is more complicated, since what one hemisphere 'knows', the other may not; and (3) arises from (2) since planning is linear and informal managing is holistic.

Complexities

This helps us to understand something of the complexities of team management, the first of which is to distinguish between management and leadership. Many people confuse the two, yet they are very different. In a simple way, management is about planning, organisation, directing, controlling and co-ordinating. The activities of management concern not only the people in the organisation and its teams but the physical aspects of it as well, plant, equipment, materials, and money.

The team manager's job is to blend these diverse assets together to form an organisation moving, more or less together, toward a commonly defined objective.

Leadership, however, is a management tool for influencing the people in an organisation, influencing the way people behave. Thus management is a much broader function dealing with the co-ordination and direction of things as well as people, toward the attainment of given objectives. A good leader may not be a good manager, though a good manager will probably be a good leader.

* Henry Mintzberg 'Mintzberg on Management', *The Free Press, Macmillan Inc, New York.*

The Faculty of Finance and Management,
The Institute of Chartered Accountants
in England and Wales,
Chartered Accountants' Hall,
PO Box 433, Moorgate Place, London EC2P 2BJ
Telephone: 020 7920 8486
Fax: 020 7920 8784



The Faculty's web site address is – www.icaew.co.uk/members