



## **An Overview of the Operating and Budgeting Process in an Execution Environment**

Surveys tell us that organizations are poor to coordinate across units and at shifting people across units to support strategic priorities, and fail to align processes, performance metrics, and rewards with meeting their strategic priorities. You have likely experienced these problems. An execution environment overcomes these problems and others. An execution environment is an environment focused on getting the things done that a business needs to do, and this changes the way we do things. In this paper we describe how the core business process of Operating and Budgeting functions an execution environment.

In a typical business environment, there is a distinct handoff between the strategic planning and the operating and budgeting processes. In contrast, The **Operating and Budgeting Process** in an execution environment is an outcome of the strategic planning process. The norm in a typical business environment is to translate the static strategic plan into budget goals such as sales volume, revenues, cash flow, and profitability, that are used to make operating decisions and monitor performance throughout the year, but no plan is perfect and many are critically flawed. The static approach of a non-execution environment does not address this reality, which creates numerous impractical situations for which people refuse to accept accountability. In an execution environment, the operating and budgeting process is a process to execute the strategic plan, which links strategy to people, and more importantly to what they need to get done and be accountable for.

The operating and budgeting process in an execution environment will naturally extend and fill-in more detail to the strategic plan, things such as what products will be offered, when they will be launched, what marketing and sales programs and activities will be initiated, what manufacturing plant upgrades will be made, and what the production output goals will be. Operating and budgeting activities need to be bi-directional with goals and deadlines coming from the top in the form of the strategic plan (to which, as a reminder, the bottom already had input and buy-in and which pragmatically reflects their capabilities and resources), and with implementation projects composed of various tasks coming from the bottom and being coordinated horizontally across groups. Leadership and management's role is to instill this bi-directional process, be fully engaged in it, and monitor and oversee



it. Failure to coordinate across groups and units is cited by managers and leaders as a far more common cause of failure to achieve strategic goals than is failure within the group or unit.

The role of leadership and management at any given level, including the top level, is to be fully engaged with their direct reports and peers in other groups on the team so as to ensure that the direct reports and peers understand, vet and validate the assumptions and resources needed, and buy into and accept accountability for outcomes. Vision, objectives, goals, and plans flow like a wave through an organization, both vertically between layers and horizontally between groups and units, so leaders and managers are also primarily responsible for making sure that the next layer down or the horizontal group that is part of the plan is accomplishing its goals. This is a different outlook than exists in many organizations where it is typical to think that a handoff occurs between layers vertically and groups or units horizontally.

Handoffs of any kind lead to isolation and lack of accountability. Most leaders think of their role as sharing a vision and plan with the next layer down or with the peers of the other groups on the team. Someone else will worry about executing the vision or plan. In these situations you will likely hear that people are not accountable, but the real problem is that by leaving the responsibility for execution undefined and for the next vertical layer or horizontal group to figure it out, no one established what people were accountable for. Leaders and managers should realize that the purpose of their job is to thoroughly understand how each of their direct reports and peers in other horizontal groups makes decisions and be engaged with them and coach them to make decisions that are consistent with translating the plans into actions and decisions that they propagate to their direct reports, and so on throughout all vertical layers and horizontal groups of the organization.

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