

Viewpoint: The Tyranny of Forecasts, Targets and Budgets

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Anyone can set forecasts, budgets and targets.

Even a laptop can do this without human intervention.

Without a market-based strategy, targets just cause chaos.

Targets force people to concentrate on the target instead of customers.

It is amazing to me how many major organisations go under because they have little more than sales forecasts and budgets for the following year. How surprised they are when their customers abandon them in favour of another supplier who has taken the trouble to work out a longer term strategy for understanding and really meeting their needs.

Let us dismiss once and for all the puerile belief that all directors and senior managers need to do is to write down some numbers that can become targets and eventually translate into budgets. This only ever works in growth markets with little competition. Simon Caulkin (2005) wrote:

“90% of USA and European firms think budgets are cumbersome and unreliable, providing neither predictability nor control. Budgets are backward-looking and inflexible. Instead of focusing managers’ time on the customers, the real source of income, attention is focused on satisfying the boss; that is, the budget becomes the purpose.

Cheating is endemic in all budget regimes. The result is fear, inefficiency, sub-optimisation and waste. In companies like Enron, the pressure to make the numbers was so great that managers didn’t just doctor a few numbers, they broke the law. People with targets and jobs dependent on meeting them will probably meet the targets, even if they have to destroy the enterprise to do it.”

Many economic commentators and politicians have remarked on the destructive nature of targets set by government for public services such as the police, the health service, social services and so on. The police are an example which attracts criticism. With targets for arrests, and with careers and promotion dependent on meeting them, many police officers ignore their real duty to society by avoiding tackling serious crimes and tick their target boxes with petty and insubstantial crimes.

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All facts and figures in this publication are presented in good faith and on the basis of information before us at the time of writing.

The Tyranny of Forecasts, Targets and Budgets (continued)

The common thread running through these and countless other examples is that members of the public ceased to be the focus of the organisation.

The majority of police, doctors, nurses, teachers and government officers and so on now complain about the way their skills and time are being subverted by the culture of targets. They long to put the “customer” back at the centre of their working lives.

This particular professor has little patience with managers who believe that forecasts, targets and budgets are all they need, and that using them to put the fear of God into their subordinates somehow constitutes good management.

You can get away with it for a while in times of growth, but sooner or later you will be found out as a mental midget.

References

Caulkin S (2005) Escape the budget straightjacket. Management Today

Ross D (2007) Strategy Magazine

Action Points

Without long term forecasting and budgeting, all strategies also fail in the long run.

- ✓ Ensure that any forecasts and budgets are the direct result of a long-term, robust strategic marketing plan. They should NOT be added as an afterthought!
- ✓ If your targets are not based on the strategic marketing plan, establish what they are based on, and what is the logic behind them.
- ✓ Forecasts and budgets are not an add-on by the bosses; do not accept targets that constitute managerial bullying.

Viewpoint: Strategy Before Tactics

The importance of completing the strategic marketing plan before the tactical marketing plan cannot be over-emphasised. Firstly, let's settle for some simple definitions. ‘Strategy’ means doing the right things. ‘Tactics’ means doing things right. Now look at the top left box in figure 1. What it says is that an implementing the strategy efficiently is likely to led to a quick death!

		Strategy	
		Ineffective	Effective
Tactics	Efficient	Die (quickly)	Thrive
	Inefficient	Die (slowly)	Survive

Figure 1: Strategy/ tactics matrix (McDonald, 2016)

If you have any doubt about this, now look at the analogy of a salesperson shown in figure 2.

		A Salesperson	
		Clever	Stupid
	Lazy	✓ ✓ ✓	✓
	Hard working	✓ ✓ ✓ ✓ ✓ ✓	×

Figure 2: The sales person analogy (McDonald, 2016)

In particular, look at the bottom right hand box. Clearly, making a stupid salesperson work hard is likely to offend twice as many customers and double the chaos! Hence my assertion that doing the wrong thing well isn't the most productive way forward.

Action Points

Developing a strategy before you begin to think about tactics is the most effective way of continuous growth in your sales and profits.

- ✓ Action: List your key target markets in order of priority and your sources of differential advantage in each. This is the very heart of marketing strategy.

About Malcolm McDonald Consulting

Malcolm McDonald Consulting Ltd. is a strategic sales and marketing consulting business.

With our end-to-end interactions, from Board level to internal project team, we help companies create value through getting the fundamentals right in strategic sales and marketing, all within budget and the agreed deadline.

Professor McDonald and his team of consultants work with the Boards and internal teams of executives from a number of the world's leading multi-nationals on all continents.

Malcolm McDonald is Emeritus Professor of Marketing at Cranfield University, and Visiting Professor at Henley, Warwick, Aston and Bradford Business Schools. He authored over 40 books on marketing and key account management.

Coming from a background in business which included a number of years as Marketing Director of Canada Dry, Malcolm has successfully maintained a close link between academic rigour and commercial application. He has consulted to major companies from the UK, Europe, USA, Far East, South-East Asia, and Africa, in the areas of strategic marketing and marketing planning, market segmentation, key account management, international marketing and marketing accountability.

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