

Performance Based Budgeting

In the simplest term Performance Based Budgeting (PBB) is a budgeting system which defines desired outcomes (results) in terms of inputs (money, manpower, capital expenses, etc) strategies (activities) and outputs (products) necessary to achieving those outcomes. It is a way to use information about both, desired results and results actually achieved, to inform budget decisions.

Performance Based Budgeting Consists of 3 elements:

- **The Results (Final Outcome)**
- **The Strategy (Ways to achieve the Final Outcome)**
- **Activity/Outputs (What's actually done to Archive The Results)**



opX's Performance Based Budgeting (PBB) model will develop a long term strategic plan for your organization. Through a cascading hierarchy of goals and strategies that directly involves every manager at every level, day-to-day activities are clearly linked to each strategic goal of your organization.

opX personnel are experienced in the key factors of Implementation and Integration of a PBB program.

The purpose of Performance Based Budgeting is to provide a sound basis upon which to make resource allocation decisions, to communicate the measurable results expected to be achieved from a budget allocation, and to build a connection between budget and program performance results for the same operational unit over same period of measurement.

5 Steps of Performance Based Budgeting

- **Identify Desired Outcome**
- **Select an Outcome Performance Measure**
- **Set a Goal**
- **Report Results**
- **Implement Consequences**

To sum it up, it is time to significantly change the ways that organizations are managed, as the traditional budgeting become increasingly unsuited to modern

business. Organizations need to move to a “Beyond Budgeting” approach to meet the competitive environment.

The Benefits of Performance Based Budgeting include:

- **Increase the efficiency and effectiveness of the organizations operations by focusing resources toward the most critical and important outcomes;**
- **Improve operations by linking budget and program performance over time;**
- **Make managers more accountable for program decisions that affect budget outcomes;**
- **Improve understanding and communication about critical issues and priorities relative to budget requests and the use of resources;**
- **Has Long Term Perspective – By recognizing the relationship between strategic planning and resource allocation, Performance Based Budgeting focuses more attention on longer time horizons.**



Additional Information – for your evaluation of our very effective Performance Based Budgeting Model more details can be provided on request. In addition, opX engineers are willing to visit you to present and discuss further aspects of the Program. Please contact us at our website, or you can call/fax us directly.

opX Consulting provides a unique combination of operational, organizational and management expertise to deliver improved business management processes, organizational assessments and readiness, operational excellence and future-state performance through the application of industry best practices and technologies. Our firm's services build upon state-of-the-art industry recognized management theories and methods, business processes and technologies, research and developments of leading organizations such as the Project Management Institute, the Balanced Score Card Institute.

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