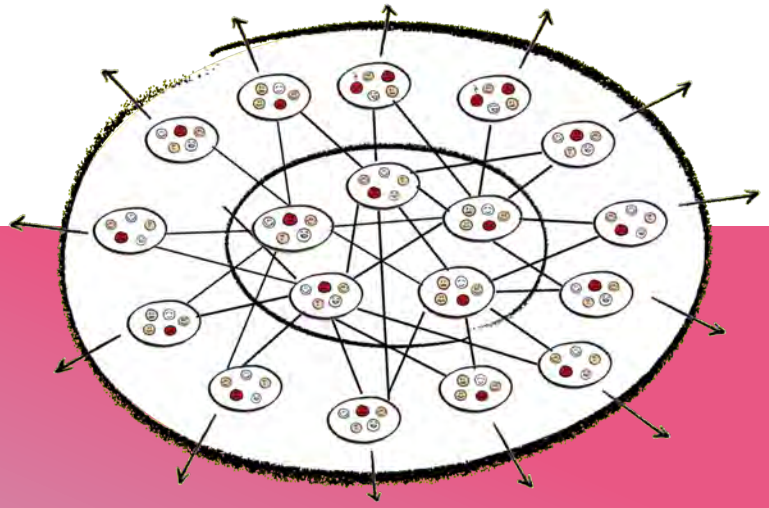
the betacodex network

since 2008



RELATIVE TARGETS: PATTERNS IN PRACTICE

12 real-world insights from the application of rationally designed and scientifically sound performance systems

BetaCodex Network Associates
Niels Pflaeging

BetaCodex Network White Paper No. 22 | January 2025 | betacodex.org/white-papers

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This is the 4th volume in a series of research papers about common *patterns* in real-world Beta transformations

In the first three volumes of this series, Silke Hermann and I reported on three sets of patterns that we have observed in our work on organizational transformations with clients over the years. The patterns described were related to *Cell Structure Design* (covering all aspects of decentralization, org design and interactions) and *OpenSpace Beta* (covering all aspects of invitation-based, very fast transformation processes). If you have not read the first three parts of this paper series, I invite you to access and read them here.

In this paper, we will turn to the *BetaCodex* social technology called *Relative Targets*. I published the approach under an open source license, in 2021, which means that you are free to apply and to commercialize the approach, including the possibility to innovate around Relative Targets, as long as you rigorously refer to the source and make your derivations open source.

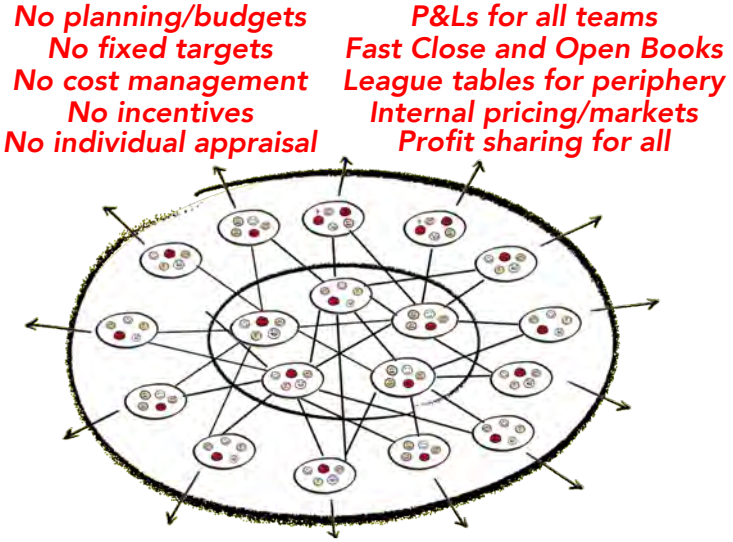
Relative Targets covers all aspects of performance systems under the conditions of real-world complexity and with smart people doing the work. Without planning or budgets, incentives or cost management. The Relative Targets approach covers every aspect of organizational performance systems – from future-focused thinking and resource usage to reporting to pay systems.



Also read BetaCodex Network research papers No. 19-21.
Fore more conceptual information on Relative Targets, Cell Structure Design, and OpenSpace Beta, visit the web pages
www.relativetargets.com
www.cellstructuredesign.com
www.openspacebeta.com

A few words about 20+ years of Relative Targets research and practice

Our work around Beta transformations and the *Relative Targets* approach with client organizations started in 2003. At the time, I took up the role as a director at the *Beyond Budgeting Round Table*, and began working with companies as an organizational development consultant. Among my first clients were a large software company in Brazil and a packaging producer with several industrial plants. Both companies wanted to overcome command-and-control by decentralizing decision-making to the periphery, and getting rid of budgeting, fixed targets and incentive systems. **During the next 20 years, we at Red42 learned to undertake such transformations with companies reliably, and also to help clients conclude them in as little as 6 months.** In doing this, we gathered a great deal of practical experience on how to get the Relative Targets approach adopted.



It gets even more interesting when experience meets theory. **As we want to make Beta the standard organizational model, over time, we need to combine new insight ("knowledge") with powerful theory.** From the beginning, the BetaCodex Network acknowledged that the philosophy of "relative performance systems" needed to be explored more fully, as that transformation of these systems involved overcoming all kinds of dogmas. This research paper presents some of the insights we gathered since 2009, when we last published a paper on Relative Targets (#10, *Making Performance Work).*

I am aware that in sharing this research there is a risk of over-simplification. As researchers, we might unknowingly over-simplify the patterns we have observed and only learn later that we overlooked something. On the reader's side, the patterns we describe could be misinterpreted as *rules* or *ready-made solutions*, although they are meant as *rules of thumb* or *axioms*. I acknowledge these risks. It is, however, in the nature of scientific advancement to take such risks. I believe that the opportunities of making these insights available far outweigh the hazards, as they will enable practitioners, consultants and academics alike to make informed judgments on Relative Targets. I am convinced that in the end, these insights will advance learning, as well as enable progress in organizations and in our societies at large**.**

25 years after *Beyond Budgeting* and 15+ years into Beta, the power of relative performance systems is still underrated

Most tools were developed in the industrial age to provide steering and top-down control, while what organizations need today is collaboration and devolution of power to teams in the business. The problem with most of today's tools, concepts and practices of performance systems is that **they forgot well-established scientific insight on behavior, collaboration and the nature of value creation.** Among those interested in *performance management*, the connection between team-based collaboration and high performance in complexity is not yet acknowledged. The same goes for communities such as *agile* and *lean*, which accommodate top-down steering and centralized command-and-control systems.

The result is a continued dominance of long-obsolete dogma (behaviorism, incentivization, planning, fixed targets), and an overall mumbo-jumbo of practices, fads and beliefs. The Relative Targets approach is different: The combination of BetaCodex principles and Relative Targets principles provides a practical and conceptually sound approach to performance systems that is simple, elegant and consistently unleashes team-based self-organization.

10 principles of Relative Targets

1. Measure actual performance at the organizational level and the team level only – instead of setting fixed targets for individuals, departments, products, layers, silos
2. Actual-actual comparisons for self-control within all teams – instead of plan-actual variance analysis for external steering and control by bosses
3. Constant preparation involving everyone – instead of calendar-based planning done by the few
4. Sporty, playful competition among internal teams – instead of rivalry between individuals
5. Discourse about identity and forging of agreements – instead of strategy-setting and decisions made by managers
6. Control through social density, principles and high performance standards – instead of rules, values and intrusive micro-management
7. Open books, Fast Close, "everyone sees the same numbers at all times" – instead of in-transparency, numbers games and "figures on a need-to-know basis, only"
8. Team P&Ls and few, relative trend indicators – instead of numerous, previously fixed data points
9. Market-like, outside-in resource coordination – instead of planned allocations from the top
10. Relative, fair base salaries, plus profit sharing – instead of minimized salaries, plus bonuses

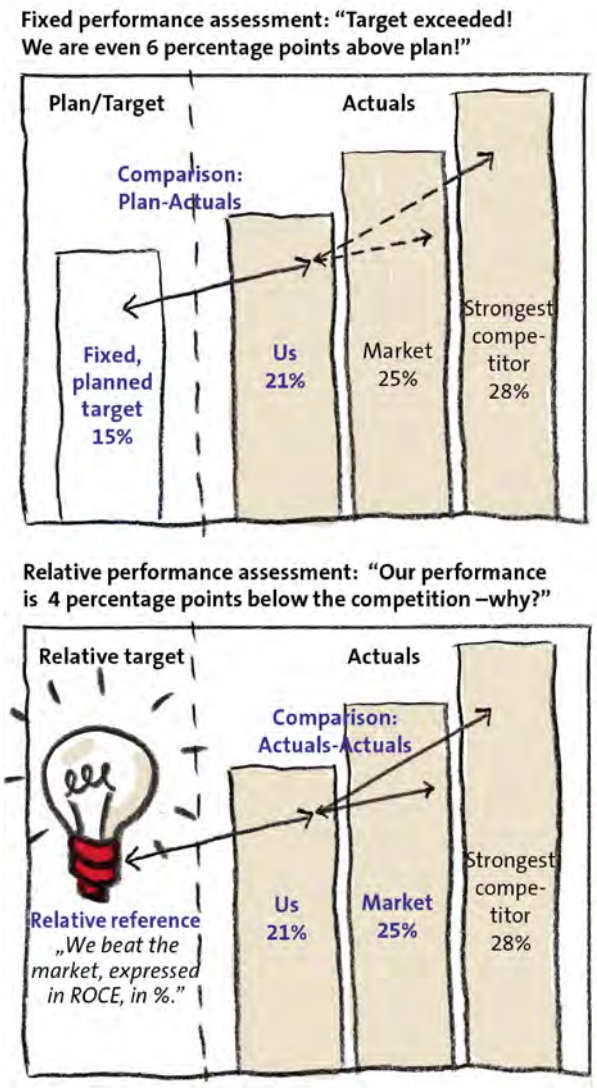
In short: Relative Targets is not yet another take on target-setting. It is not "better budgeting", or a rehash on MbO (such as "OKRs"). Relative Targets actually carries a somewhat *political* message: It is rooted in the belief that people are self-motivated, *Theory Y* creatures who wish to contribute to something greater than themselves. Organizations mainly have to create appropriate conditions so that this intrinsic motivation can emerge at work and lead to team-based performance. **In short, the Relative Targets approach implies that top-down steering has no place in today's organizations and that far more democracy and high-performance in the workplace is possible.** Relative Targets are far simpler and more natural than centralized steering through target-setting and planning.

Relative to what, exactly?

In a Relative Targets system, team performance is measured in a *relative* way. **Performance is not compared to plans, to set/negotiated targets, or to forecasts: Those "fixed" ways of assessing performance are internally referenced (producing inward orientation), they will produce obedience and a lack of responsiveness** (see example on the right). In other words, fixed performance contracts are woefully inappropriate in complex markets and when dealing with complex value creation.

Performance assessments in a "relative" fashion use entirely different references than fixed ones. Four ways of assessing relative performance are key:

1. **Relative to past performance.** This is where trends and comparisons to previous periods come into play. Comparisons with past performance are all about improvement over time.
2. **Relative to other teams or entities inside the organization.** Here, teams compare themselves to other teams, internally. Beta organizations often use league tables that challenge teams to dare and to beat the average. Regions can be compared with regions, countries with countries, factories with factories, and so forth.
3. **Relative to other organizations and to market.** This is where external performance benchmarking with other organizations/entities or market averages comes into play (see bottom right). Comparisons can be used as snapshots, or over time.
4. **Relative to optimal performance or to statistical process control.** Process measures can be compared with optima or acceptable variation.



Relative approaches to performance have many roots, and solid foundations in organizational practice

The idea of relative performance shines through in the work of early pioneers of organizational theory like Mary P. Follett in the 1920s and 1930s (as explored in our white paper No. 18). Relative performance first came to the forefront in the work of Douglas McGregor and especially W. Edwards Deming. The *Socio-Technical Systems movement* led by the Tavistock Institute added to a deeper understanding of relative performance in practice and in theory. Starting in 1998, the Beyond Budgeting Round Table provided a giant leap forward on the matter: It added further depth and consistency to the approach, thanks to case-study research on firms like Handelsbanken, Ahlsell and Guardian Industries and Toyota and Semco.

The BetaCodex Network went on to deepen and broaden the Relative Targets approach, and to articulate it in more coherent ways, finally turning it into a social technology in 2021. We added theory, studied it by applying it effectively in practice, added concepts (e.g. Value Creation Accounting) and developed a more critical stance on others (e.g. forecasting). We identified firms like dm-drogerie markt as users of relative approaches. Today, Relative Targets cases like Buurtzorg and MorningStar shine bright, while other firms adopted the approach with our help, during recent transformations.



References to the open source licenses: *This research is derived from Relative Targets, an open source, free social technology created by Niels Pflaeging, (Red42), published under the CC-BY-SA-4.0 license from Creative Commons, accessible under: relativetargets.com. Relative Targets, in turn, is derived from the BetaCodex, an open source, free social technology published under the CC-BY-SA-4.0 license from Creative Commons, accessible under: betacodex.org/license*

Why these 12 patterns – and why are the patterns sorted in this particular order?

Since the foundation of the Beta Codex Network in 2008, we have used the BetaCodex research paper series to disseminate fresh findings and insight from our research work, on an ongoing basis. This continuing work, which is now entering its 18th year, is based on the realization that by publishing research continuously and by making the findings consistently open source (see the BetaCodex open source license) we will we make our community relevant and contribute to real progress in specific organizations and within the wider management, organizational development and research communities.

The insights I share in this paper, our 22nd, have been derived chiefly from our transformation work as consultants to corporate clients, in the years between 2019 and 2024. In order to make the paper enjoyable and relevant, I had to look at more than just picking individual patterns that would be *fresh* and *interesting*. **I took care to make the chosen set of patterns sufficiently encompassing**, so that a rounded picture of the full Relative Targets approach could emerge in the mind of our readers. I thus opted for a set of 12 patterns from different areas, facets and principles of the Relative Targets socio-tech – covering topics as diverse as *organizational hygiene, transparency, measuring, reporting, resource coordination, cost "management"*, and *pay*.

The sequence in which the 12 patterns are presented in this paper is no coincidence. It is roughly the same sequence in which these patterns will need to be tackled during a given Beta transformation, in an individual organization. I hope you will find both the scope of the patterns and their sorting insightful and practical.

01. *Scrap budgeting, eliminate fixed targets and tone down forecasting:* Straight-forward *flips* within any Beta transformation

Quite a few tools, practices and patterns that are common in the realm of Alpha, or command-and-control organizations, will fly out of the window, once a Beta transformation gets under way. We have published longer lists of such dispensable, or toxic tools and patterns elsewhere before, e.g. in the *Organize for Complexity* book. In this research paper, we will highlight just a subset of obsolete tools and patterns: One concentrating on those directly related to performance systems – see list on the upper right.

To eliminate those tools and practices in lieu of actual conversation early-on in the transformation matters. It sets the stage for the adoption of the new model and gives both the *Sponsor* and the transformation credibility. It also creates space: by saving a massive amount of everybody's time (that of managers, especially) and opens up attention spans for improvement, value creation and working the system. **We learned that some people will respond to Organizational Hygiene by changing their behavior right away. Others will respond simply by believing that a different kind of system is possible.** Both responses are valuable in the early stages of the transformation, as they will change the narratives. We find that removing these patterns gives the Sponsor and the Sponsor's fellows confidence that the profound changes intended are actually possible to achieve.

Some tools and patterns may not be completely banned, but their use or visibility should be reduced, or restricted in a way that they stop drawing attention. An example of this is *forecasting*. In Alpha organizations, forecasts are often used for control purposes, even forming the basis of weekly or bi-weekly *jours fixes*, or meeting cycles. **Not so in Beta, where the role of forecasting will be restricted to informing individual decision-making.**

Eliminate ("Organizational Hygiene")

Budgeting/Annual planning
Plan-actuals variance reporting
Investment planning
Cost management/cost cutting
Cost allocations, budgets
Strategic planning/canvasses
Balanced Scorecards/Strategy maps
Fixed targets, individual targets, OKRs
Sales quotas
Internal surveillance of work hours
Feedback/360 degree feedback
Performance appraisal
Bonuses, incentives
Presenting of reports in meetings

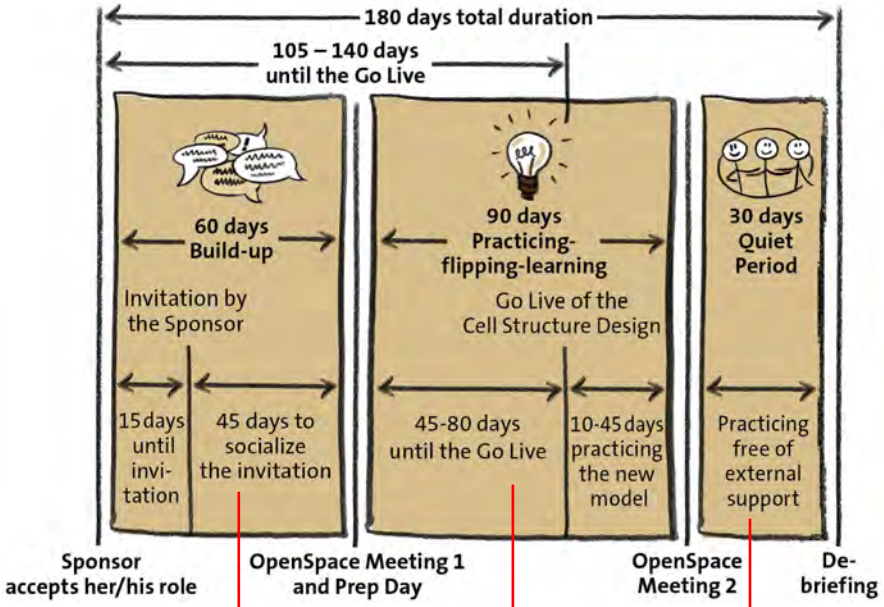
Tone down

Forecasting
Analytics/Business Intelligence
Ad hoc reporting

02. *With the OpenSpace Beta approach, there will be a staged progression towards relativity,* lasting 15 to 20 weeks

OpenSpace Beta is currently the most effective, fastest and most robust approach to transforming any organization, large or small, from Alpha (command-and-control) to Beta (decentralized and democratic). Key characteristics of OpenSpace Beta is that (1) it begins with a single person, the Sponsor, who is willing and capable of authorizing all members of the organization to convene for OpenSpace Meeting 1 and to work the system, together, in the following 90 days. (2) it is based on invitation and choice ("voluntariness"), not force or coercion (3) it is time-boxed through the use of two OpenSpace Meetings, thus requiring no more than 90 days for the transformation phase *per sé*, and 180 days overall.

We have learned during our consulting work with clients that a "staged" approach is necessary to achieve a viable Relative Targets system by the time of the Go Live, which happens 15 to 20 weeks into the transformation process (see illustration on the right). **Around five of the patterns outlined in this paper can be tackled during the 60-day Build-up phase already. Another five patterns should follow in the 90 days of Practicing-Flipping-Learning – or between the two OpenSpace Meetings.** One of the patterns can be tackled a bit later, during the Quiet Period that follows up on the 90 days.



The architecture in time that is OpenSpace Beta, and Relative Targets timing. Source: openspacebeta.com

03. *Everybody deserves to get the daily ticker.* No exceptions

Back in the 1980s, so-called "tickers" provided information from the stock exchanges continuously and synchronously across geographical distances – around a decade before the advent of the internet. Today's companies should deliver the same kind of transparency to their employees. **A daily revenue ticker provides employees of a company with two important pieces of information: The total revenue for the day and the gap to break-even for the month (or the surplus if break-even has already been exceeded).** Both pieces of information must not only "be accessible" or "made publicly available": they need to be made available to everyone at the end of every working day trough push method. Reliably. Daily. Why does this matter? Without regular progress information on revenue (in addition to monthly reporting), employees will find it hard to develop a sense of progress, an understanding of added value and of profitability. This tool was devised by Silke Hermann in the late 2000s: As general manager at a B2B service firm, she wanted to instill a perception of business economics in her team.

Date	Daily revenue	Difference to month's break-even
05 Nov	150.663 €	–1.530.208 €

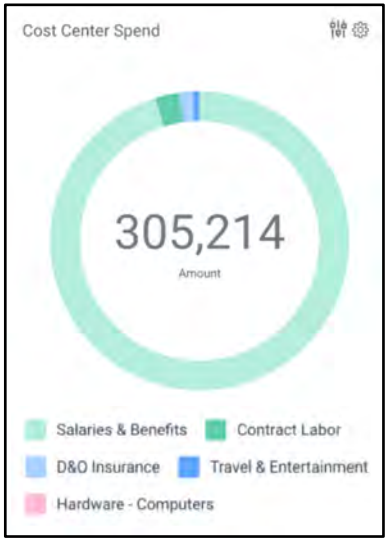
Format of a daily ticker for all members of an organization.
Source: own presentation

There is a simple reason why the ticker has to be delivered using push method: people consider information to be less relevant to their own work that is "just" made accessible, compared to information that is "personally delivered." We have experienced that such a ticker can subjectively be perceived or at least framed as "pressure" by employees. Setting up and using the tool can be accompanied by some level of irritation short-term or even long-term. However, a ticker that only provides information about the whole organization's revenue is not about pressuring individuals, but about collective awareness. Mind you: **A Relative Targets system at the same time dispenses with individual and fixed targets, individual bonuses and personal appraisal.** The ticker tool, here, is another building block for organizing the *we*. **Shared responsibility, shared effort, shared joy of achievement.** The perception of joint performance is anchored by a reliable ticker in the rhythm of daily events. This type of awareness can only be created collectively or through a perceptual interface for the entire workforce. **Awareness is not a management task.**

04. *Slash much of the existing reports and make internal reporting consistently relative*

The average financial reporting table is polluted and overblown. It discloses too little information and is designed for people who have nothing else to do than reading reports. Simplification and reduction are in order. **For internal financial reporting, this usually includes:**

1. *Product/client imbalance: The importance of product (category) sales/margins is overstated,* the importance of client (or client portfolio) sales/profitabilities is understated.
2. *Reports contain planned numbers, plan-actual variances, and forecasting numbers* – which should be permanently eliminated from all reporting.
3. *Too many columns with sums,* for "year-to-date" (YTD), quarters or years, variances or useless percentages. Instead, the best way to report financials internally is by focusing on monthly actuals – and little else.
4. *Too much focus on the calendar/fiscal year,* instead of a focus on "the last 24 months rolling" or "the last 36 months rolling"
5. *Too many lines* with useless percentages, dispensable categorizations, too much detail.
6. *Useless indicators and illustrations* ("chart junk") that are too cumulated, that lack contextualization, and that aren't actionable. Eliminate them and base indicators on straight-forward financials, like categories and percentages. Choose indicators for relevance. Increase density of all visualizations.



Classic chart junk: A diagram like this tells readers little more than "people are damn expensive, right?"

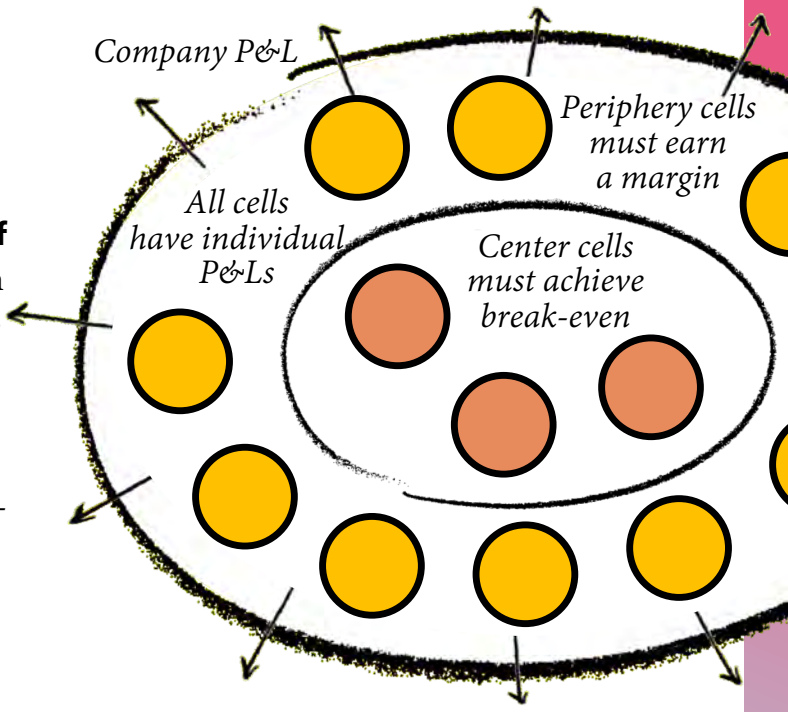
Combined, applying such "relative" principles will make reports 80-90% "slimmer", and still turn them more content-rich and more readable. Non-financial reporting can be tackled in similar ways.

Simplification of reports can indicate the need for further Organizational Hygiene. In a recent transformation, a client company employed different accounts for dozens of revenue categories. The result was inaccurate invoicing, accounting errors, confusing and inconsistent reporting, and almost no transparency with regards to actual revenues. As part of the transformation, the amount of revenue categories was reduced by about 75% – resulting in simpler invoicing, less accounting effort, and more reliable and meaningful reports and indicators that everyone can make sense of.

05. *Achieve a Fast Close and fully Open Books early in the 90 days* – and make those principles last forever

Fast Close and Open Books: They are the Twin Champions of Transparency. Without these two basic concepts in place, an effective *relative* performance system is hard to bring about.

Fast Closing refers to the speed at which a company can complete its accounting cycles and successfully close the books at the start of a new month. While Fast Closing is desirable and should be a standard in any well-administered company, attaining it cannot be allowed to sacrifice the integrity of financials. The challenge is to close the books on the 1st or 2nd day of the new month without compromising accounting/reporting quality, or compliance, in any way. In fact, a reliable Fast Close capability should always significantly *improve* reliability of the financials and compliance, and should over time lead to a practice of *continuously closing* the books. Put differently: Closing later than on the 2nd working day of every new month indicates administrative sloppiness: If you do not yet have a Fast Close, then get to work. In our transformation work with companies we often found that steps to achieve and secure Fast Close capability needed to be taken.



Source: own presentation

Open Books (also referred to as Open Book Management) means sharing the financials and other critical information with all employees, in order to enable them to make better decisions. It involves qualifying all employees in the use of the numbers (including Profit & Loss statements, balance sheets and cash-flow), and to achieve full "financial literacy" among teams; to challenge teams with continuously improving the numbers; and to ultimately give all employees a share in the profits (see pattern #11).

An organization can hardly have Open Books without a Fast Close, as it does not make much sense to do Fast Close if you do not intend to have Open Books. Both are practical preconditions of any Relative Targets performance system.

Schematic visualization – links between cells or between cells and market are intentionally not depicted

06. *Trends, trends, trends:* Make them clearly visible right away, to unleash ongoing awareness of time, rhythm and progress

In a Relative Targets performance system, *trend reporting* is the single most important concept for the monitoring of actual performance. **By trends we mean longer time-series, such as "24 months rolling" or "36 months rolling" for financial numbers.** A trend report can also cover different time periods such as "54 weeks rolling" or "30 days rolling" – depending on industry, unit of monitoring and the process to be monitored.

The beauty of trend reporting is that it contextualizes the last period's performance with a steady amount of prior periods - and thus provides a rich image of actual performance over a medium-, or long-term time frame. Trend reporting works well as a table, in diagrams (upper right) and as spark lines (lower right), which can also be inserted in text.

Rule of thumb: If the information in question that you want to report is frequently available, and if the source of the information comes from internal sources, then you should usually drop sums and period-by-period comparisons, and go straight for a "rolling" trend report.



Trend diagram, 36 months rolling, most recent month on the right. Source: own presentation

Revenues	16,7 M	16,7 M
Rebate	1,7M	1,7M
Discount	713 K	713 K
Labor	2,3 M	2,3 M
Materials	4,8 M	4,8 M
Gross Margin	7,3 M	7,3 M

Sparklines. Source: www.bissantz.de/software/themen/sparklines

07. *Weed out obvious waste to reduce cost,* through some initial Organizational Hygiene and a diligent review of contracts

In BetaCodex research paper No. 21, on OpenSpace Beta Patterns, we reported on the difficulty with making inroads into *Organizational Hygiene* during the first half of the 90 days of Practicing-Flipping-Learning, more systematically. Still, you should look for "low-hanging fruit" in that area, and eliminate practices, tools, rituals, meetings and rules that do not make sense in a Beta organization. We found that there is an additional way of tackling waste during the transformation, one that is both pragmatic and effective during the earlier period of the 90 days. Contract management.

Contract management requires (almost) no abstract analysis, it is practical and it can start immediately after OpenSpace Meeting 1. The approach has four facets: (1) The disciplined termination of contracts, (2) the active replacement of less favorable contracts with better contracts, (3) the identification of "better" suppliers, and (4) the alignment of services and product purchasing with what is really needed. Software licenses you are not really using? Server or storage capacities you never quite needed, but didn't care to cancel? Cars nobody is driving? Services you should kind of have stopped buying months ago? Thorough review of all contracts will lead you to pockets of waste.
You will be surprised by your findings!

It is no secret that active, consistent contract management is rarely undertaken systematically anywhere. It is something of a blind spot in most organizations. One of those things that falls into the cracks of a departmental, functionally divided organization. But an optimized contract portfolio means that unnecessary costs are prevented *before* they can incur. In other words, waste can be reliably minimized by reviewing contracts systematically.
The great thing about it: **Contract management is a "craft",** i.e. it is a predominantly complicated area of action that can be tackled with sufficient discipline and diligent action.

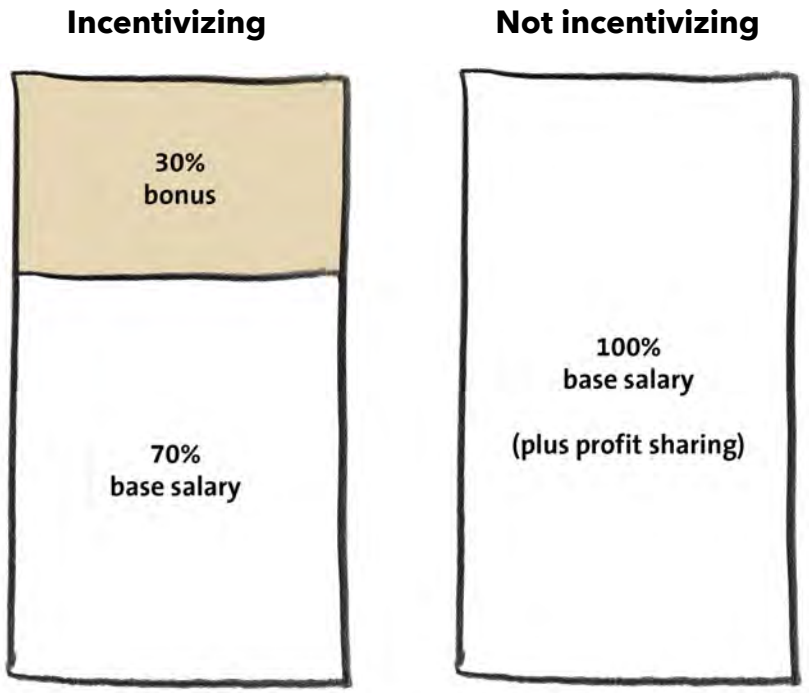
Typical contracts worth reviewing

Software licenses/tools
Rentals, cars
External storage space
Services/retainers
Telephone/web services
Subscriptions/"learning" platforms
Mailing services
Association/memberships
Internal surveys
Annual trainings, courses, programs
…

08. *Fix what had the appearance of being variable:* Embed salary components previously linked to incentives into base salaries

To kill off "bonuses" or "incentive systems" (if such systems exist in the organization) is inevitable in any transformation from command-and-control to decentralized and democratic. Many doubts and myths persist around how to eliminate bonus systems, but the solutions to making these changes are in fact rather straight-forward. **The solution is to fix the previously variable salary components, based on individual pay histories** (see illustration on the right).

We have accompanied such changes on many occasions. Making the changes may require some administrative skill, a bit of explaining, and, eventually, negotiations with employee representatives. But such changes won't leave anybody worse off, and they will turn a pay system a lot more simple and transparent, while reducing administrative and bureaucratic headaches. This change has to be made no later than during the 90 days of Practicing-Flipping-Learning.

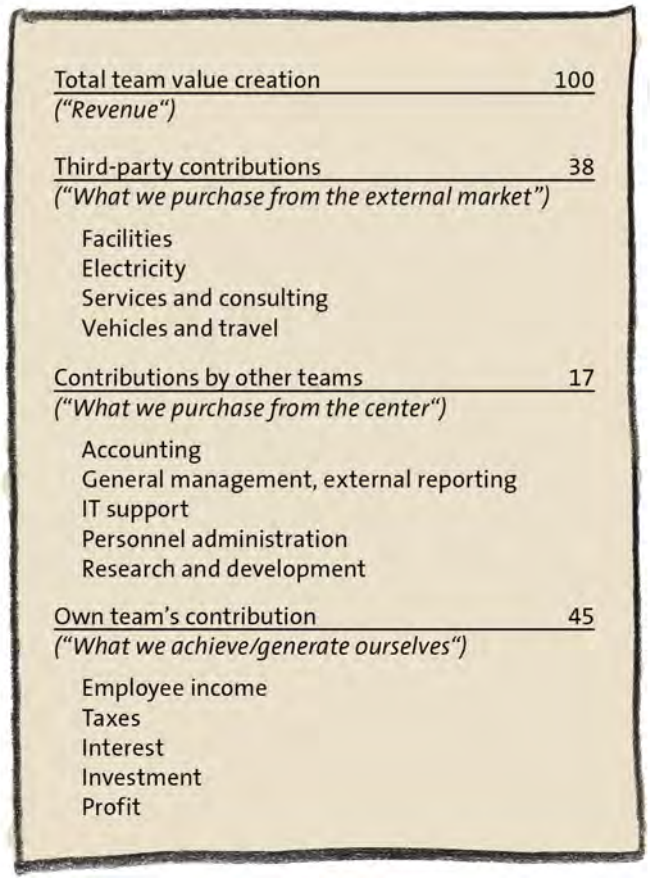


The psychology of variable pay systems: Left: supposedly "motivating", but actually signaling an culture of obedience and fear. Right: non-motivating, but signaling a commitment to collaboration and adult behavior.
Source: own presentation

09. *Value Creation Accounting gives each network cell a full P&L statement.* Teams need them

Value Creation Accounting is a way to make Profit-and-Loss-like financial statements real for all teams in a *Cell Structure Design* network – giving financial reporting a conceptually sound underpinning, but without causing major complications. **Value Creation Accounting differs from all other forms of accounting in that it divides value creation into three parts:** (1) The team's own contributions to total value creation, (2) the contributions by other teams within the organizational network, and (3) third-party (external) contributions. Note that none of these categories is referred to as "costs": In Value Creation Accounting, everything is a "contribution" or "value created" (otherwise it would be "waste"). This focus on positive contributions, not on the negativity that goes with talk of mere "cost", is a crucial to this approach to P&Ls.

Value Creation Accounting consists of two parts: (1) Service/price catalogs through which center cells charge other cells for their contributions (see next pattern) and (2) cell Value Creation reports (see illustration on the right), which help cell teams understand all components of their team financials. Bringing about this kind of accounting system for all teams with the Go Live (or, more precisely, with the first monthly closing that follows on the Go Live date) is key to raising financial awareness, towards the end and after the 90 days of Practicing-Flipping-Learning. We have learned that a certain discipline in dealing with the staged approach to Relative Targets adoption, (described in Pattern 2), is required to get to fully functioning Value Creation Accounting at this stage, during the 90 days.



Structure of a Value Creation Accounting report for a cell, with the typical distinction between third-party contributions, contributions by other teams, and the team's own contributions. Source: own presentation

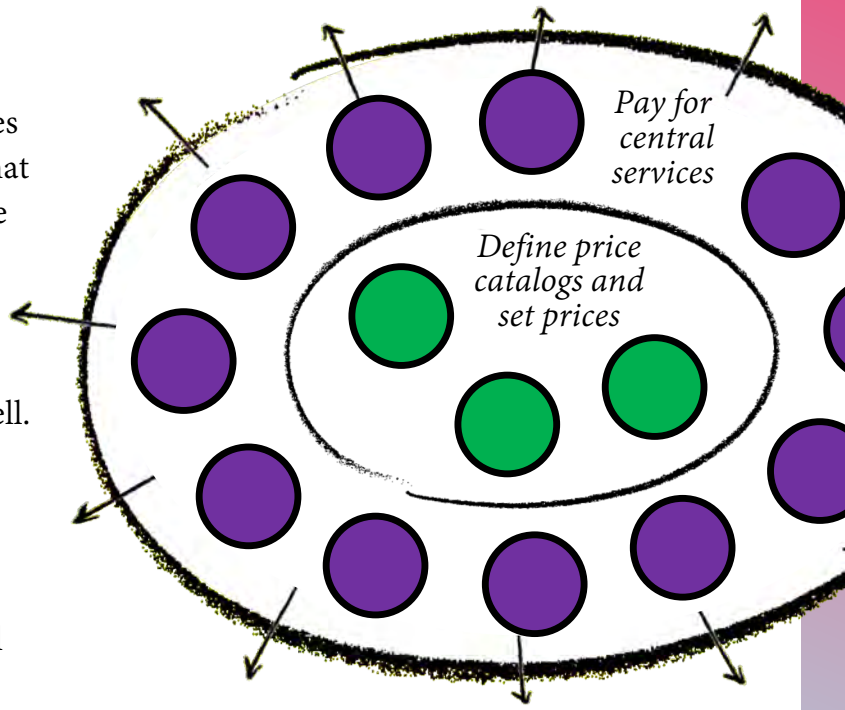
10. *Establish super-simple price catalogs for center cells at the time of the Go Live*. Later refine the internal pricing

Through internal price catalogs, center cells charge other cells (in the periphery, mostly) for their contributions to value creation. Charging through such an internal market is necessary.

Remember: In a decentralized *Cell Structure Design* no team has any kind of budget, and there are no cost allocations ! So cells of the center must charge other cells for their services, and get paid for those services by the other cells, in order to cover their cost. It goes without saying that center cells cannot be allowed to turn a profit – otherwise the principle of *decentralization* of power to the periphery would be undermined.

The not-so-secret secret of keeping an internal market simple, transparent and easy to operate is to limit the amount of services per center cell. We recommend a maximum of 5 of 7 services per center cell. In some cases, and especially when the system is being started, just 2 different services per cell will do – e.g. one service that's charged per person/per head, and another one that's charged by utilization. At a later stage, center cells can refine the internal service catalogs further (and renegotiate pricing with the periphery), in order to make internal markets both elegant and encompassing.

Another recommendation to keep the internal market system as simple as possible is to exclude the salaries of senior executives (directors or general managers) from the internal market system, entirely.



Source: own presentation

Schematic visualization – links between cells or between cells and market are intentionally not depicted

11. *Install a single key league table for the periphery cells,* thus stimulating awareness of the business' economics

Using league tables for an organization's periphery, the aim is to enable each cell to track the development of its own performance in comparison with others - not just in relation to its own past performance. Cells thus can experience themselves as part of the whole, and critically assess their own performance in the light of "everyone's" results. **League tables make it clear how one's own cell contributes to something bigger than itself.** The point is to promote active exchange among cells about how they can actually improve by observing their own teams' results, compared with those of other cells.

League tables must strictly condemn judging, controlling, rewarding and punishing, and instead strengthen observing, understanding and self-tracking. League tables are part of the corporate system of self-perception within teams, allowing teams to learn from each other. All periphery cells are encouraged to talk to and with each other about performance – at least monthly and substantiated by the league table(s). The intention is supposed to be that of asking each other for help and providing immediate support. *"We need help or expertise now!"* – not just when the cart has hit the wall.

It is preferable to start with just one league table, in order not to cause confusion, or to complicate things unnecessarily. We recommend using the financial indicator *Cost-Income Ratio*. When you divide cost by sales or income, the cell with the lowest value (and therefore the one with the highest margin) will end up at the top of the league table. In psychological terms, this indicator conveys something completely different than "margin": While the margin says something about profit, which is key to a company's health as a whole, in the context of cell performance it is wise to focus everyone's attention on the quest for effectiveness and efficiency in teams' business activities. As an indicator for teams, the Cost-Income Ratio is less banal, less definitive, and more inviting.
With the Cost-Income Ratio, there is no "good enough".

monthly/continuously

Cost-Income Ratio

Team	Ratio in %
Business cell F	68%
Business cell G	72%
Business cell C	73%
Business cell A	75%
Average	*78%*
Business cell H	79%
Business cell E	83%
Business cell D	87%
Business cell B	92%
Business cell I	98%

One of the best indicators for periphery cells: The Cost-Income Ratio. Source: own presentation

12. *Take the pressure down:* A profit sharing scheme, if not yet in place, can be installed right after the 90 days

Some experts, writers and consultants seem to believe that one cannot make organizations consistently self-organized without turning all employees into shareholders, or without having a profit sharing system in place right from the start. Such notions are profoundly flawed: **Profit sharing is a logical consequence, not a pre-condition to transformation.** Which is why it is completely fine if the transformation comes first, and profit sharing (a tad) later!

Do not worry if the profit sharing system is not going to be ready and installed within the transformation period of 90 days in OpenSpace Beta: You can design and implement such a system shortly afterwards. **We have learned during transformations that the 90 days will usually be too tight to get the concept and the legal framework for a new profit sharing system under way already.** The Sponsor and other *proprietors of power* (see OpenSpace Beta) will likely dedicate their full energy to the Go Live and then to getting all cell teams functioning. That will leave the topic for after the 90 days. But it is wise to at least create conversations around the core characteristics of the future, BetaCodex-based profit sharing system during the 90 days.

An excellent way to conceive a profit sharing system is to base it on an external profitability league table – comparing the company's profitability with a selection of competitors and the list's average. A pre-defined share of the profitability that exceeds the industry average can then used to derive the total amount of profit to share, which can then be either divided by head (which we prefer) or by weighing it by base salaries.

quarterly/annually

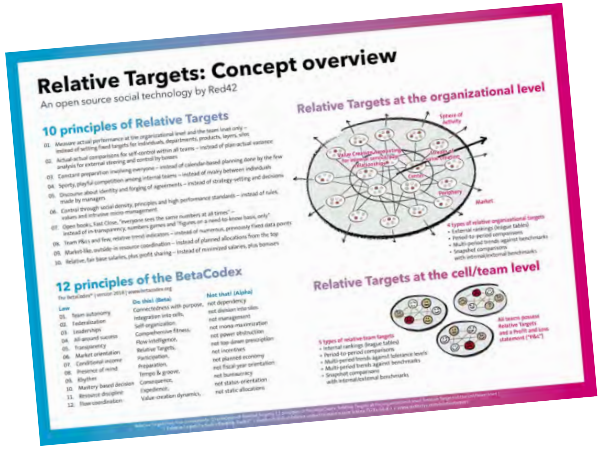
Return on Capital Employed

Company	Ratio in %
Competitor B	28%
Us	26%
Competitor D	25%
Competitor H	23%
Competitor I	21%
Average	*20%*
Competitor A	19%
Competitor F	15%
Competitor G	8%
Competitor E	7%
Competitor C	0%

External league table that can be used as the foundation of a profit sharing system. Source: own presentation

Overview: 12 patterns in transformations with the Relative Targets approach we address in this research paper

1. **Scrap budgeting, eliminate fixed targets and tone down forecasting:** Straight-forward *flips* within any Beta transformation
2. **With the OpenSpace Beta approach, there will be a staged progression towards relativity,** lasting 15 to 20 weeks
3. **Everybody deserves to get the daily ticker.** No exceptions
4. **Slash much of the existing reports and make internal reporting consistently relative:** Take out columns, lines, plan-actuals variances, bogus indicators and misleading diagrams. For good
5. **Achieve a Fast Close and fully Open Books early in the 90 days – and make those principles last forever:** Be adamant about these flips early-on. They are foundations for transparency and entrepreneurial thinking
6. **Trends, trends, trends:** Make them clearly visible right away, to unleash ongoing awareness of time, rhythm and progress
7. **Weed out obvious waste to reduce cost,** through some initial Organizational Hygiene and a diligent review of all contracts.
8. **Fix what had the appearance of being variable:** Embed salary components previously linked to incentives into individual base salaries. End "bonuses"
9. **Value Creation Accounting gives each network cell its own P&L statement**
10. **Establish super-simple price catalogs for center cells at the time of the Go Live.** Later refine the internal pricing to make internal markets both elegant and encompassing
11. **Install a single key league table for the periphery cells,** thus stimulating awareness of the business' economics
12. **Take the pressure down: A profit sharing scheme, if not yet in place, can be installed right after the 90 days.** Profit sharing is a logical consequence, not a pre-condition to transformation



More Relative Targets patterns may be published in future volumes of this research paper series. You are invited to share your own insights on patterns with the authors (see contact information on the authors page)!

For more information about Relative Targets, visit relativetargets.com
For the Relative Targets concept overview in several languages, visit the BetaCodex concept overview page.

Sources and recommended reading

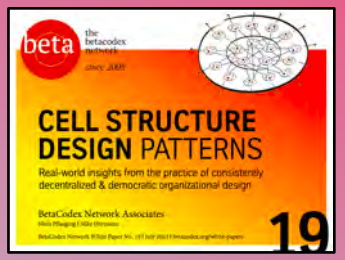
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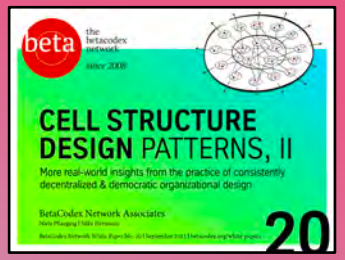
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Further selected reading

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Visit betacodex.org and contact us for more information about Beta and about how to bring about a Beta transformation.

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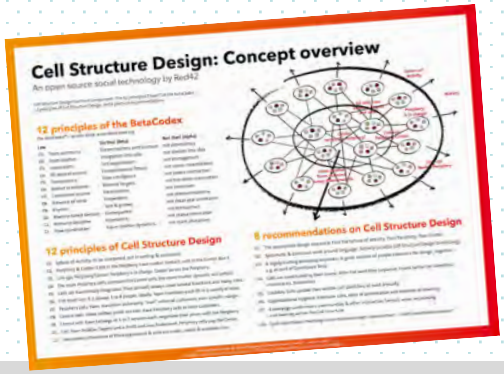


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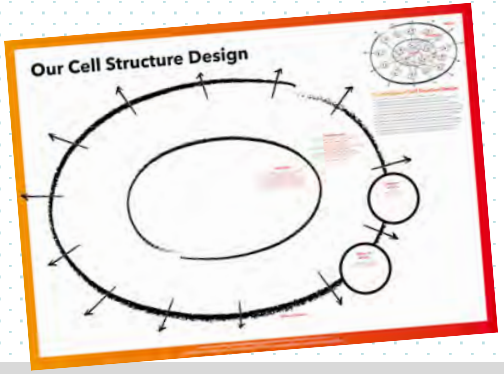
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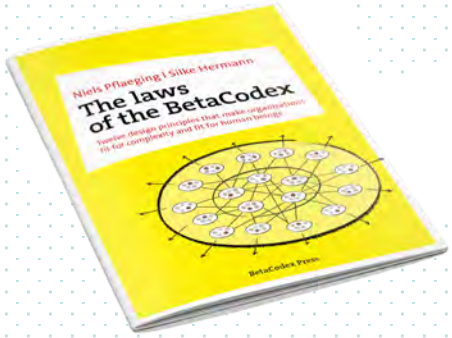
Relative Targets
concept overview poster
A1 format, folded



Cell Structure Design
concept overview poster
A1 format, folded



Our Cell Structure Design
work poster
A1 format, folded, w/sticker sheets



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