

BEYOND THE FISCAL YEAR

Governed by the Calendar: Why the Annual Planning Cycle Outlives Its Own Obsolescence

How the rhythm of the fiscal year quietly overrides the ambition of continuous portfolio management — and what it would take to break the habit



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October 2007

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Portfolio · No. 37

Originally written October 2007 | Re-edited and re-rendered for the WhereBeyond Edition, 2025

“A plan you can only revise once a year is a plan that is wrong for most of the year, and expensively so.”

1. Executive Summary

Most organisations set their transformation priorities once a year and then spend the following eleven months discovering that the world did not wait. The annual planning cycle — the autumn offsite, the ranked list of initiatives, the budget locked and cascaded into departmental targets — remains the dominant mechanism by which money and attention are allocated to change. It persists even in organisations that describe themselves as responsive, adaptive, and continuously improving, and it persists even where everyone in the room can see the plan drifting out of date by the spring.

This essay asks why a rhythm so plainly mismatched to the pace of events has proved so durable, and what that durability reveals about the gap between what organisations intend and what they actually do. The short answer is that the annual plan is not a technique that a better technique can simply displace. It is load-bearing. It is fastened to the fiscal calendar, to the board's meeting rhythm, to the audit and reporting cycle, and to a very human appetite for a fixed point in a moving landscape. Continuous portfolio management asks an organisation to loosen all of those fastenings at once, which is why it is so often admired and so rarely practised.

The argument I want to make is that the usual framing — annual planning versus continuous management — is the wrong contest. The more useful move is to separate the two things the annual cycle quietly fuses: the coordination that genuinely benefits from a shared calendar, and the capital commitment that does not. Keep the first; release the second from the tyranny of the date. That is less satisfying than a revolution, and considerably harder to reduce to a slogan, but it is the only version of "continuous" that survives contact with a real organisation.

2. The Room Where the Year Is Decided

There is a room, in most organisations of any size, where the year is decided. It has a different name in each place — the planning offsite, the investment committee, the strategy away-day — but the ritual is remarkably consistent. Somewhere towards the end of the financial year, the leadership assembles. Business cases have been prepared, some of them genuinely, most of them retrofitted to conclusions already reached. A list of candidate initiatives is projected on the wall. There is a scoring model, often elaborate, weighting each initiative against strategic themes. The numbers are debated for a while and then quietly overridden by seniority and conviction. By the end of the session a portfolio exists: a ranked, funded, cascaded set of commitments for the year ahead.

For a few weeks the plan feels like control. It is written down. It has been agreed. It can be communicated, and it is — into objectives, into budgets, into the slides that will be shown to the board. And then the year begins, and the plan starts, immediately and irreversibly, to age.

A competitor does something unexpected. A regulator issues guidance nobody anticipated. A supplier fails. A technology that was a footnote in the planning deck turns out to matter more than the three initiatives ranked above it. A programme that looked essential in the autumn looks, by March, like a solution to a problem the organisation no longer has. None of this is surprising; it happens every year. What is surprising is how little the portfolio moves in response. The plan was set once, and the machinery for setting it does not reconvene until the next autumn.

3. A Cadence Nobody Defends but Everybody Keeps

Ask practitioners directly and almost none of them will defend the annual cycle as a good way to manage a portfolio of change. They will tell you it is too slow, that it forces a year's worth of decisions into a fortnight of debate, that it rewards whoever argues best in the room rather than whatever turns out to matter most in the year. They will describe the re-planning that happens unofficially — the mid-year "refresh," the emergency reprioritisation, the initiatives that get quietly starved of people while officially remaining live. Everyone knows the map and the territory have parted company.

And yet the cycle returns, on schedule, every year. This is the first thing worth sitting with. We are not looking at a practice that survives because people believe in it. We are looking at one that survives despite their disbelief. That pattern — a widely acknowledged inadequacy that reproduces itself anyway — is almost never explained by ignorance or inertia alone. It usually means the practice is doing some other work: work that is real, and that nothing else is currently doing. To understand why the annual plan persists, we have to ask what would break if it stopped.

4. What the Calendar Is Bolted To

The annual planning cycle is not a free-standing habit. It is bolted to several other structures, each of which runs on the same yearly rhythm and each of which would have to move for the portfolio to become genuinely continuous.

- The budget. Capital is allocated annually because that is how the financial year works. The portfolio inherits its cadence from the budget, not the other way around. An initiative is funded in the plan; the funding lands as an annual number; stopping the initiative mid-year does not, in most organisations, return the money to a pool where it can be redeployed. The cadence of money is annual, and the portfolio obeys it.
- The board and the audit cycle. Boards meet on a rhythm and expect to see a plan against which progress is reported. External audit, and the internal controls that feed it, are built around the year-end. In the years since the major accounting scandals, the pressure to demonstrate orderly, documented, defensible decision-making has only grown. A fixed annual plan is an auditable artefact. A portfolio that changes shape every six weeks is much harder to present to a board as evidence of control — even when it is, in truth, better controlled.

- The incentive structure. Objectives, bonuses, and personal targets are set annually and cascade from the plan. Once an executive's variable pay is tied to delivering initiative X, initiative X acquires a constituency that will defend it long after the rationale has faded. The plan does not merely allocate money; it allocates ownership, and ownership resists reallocation.
- The need for a fixed point. This is the least discussed and possibly the most powerful. Planning is anxious work. Committing to a year's worth of decisions and then closing the question is a relief. It converts an open, unbounded problem into a settled one. The annual plan endures partly because it lets people stop deciding.

Seen this way, the annual cycle is not the cause of the organisation's rigidity. It is the visible surface of a deeper set of couplings — money, governance, reward, and temperament — all of which run on the year. Attacking the planning cycle directly, without touching what it is bolted to, is why so many "continuous" initiatives fail: the cadence comes back, because everything holding it in place is still there.

The annual plan is not the disease. It is the symptom that is easiest to see — the visible surface of a set of couplings between money, governance, reward, and human temperament, all of which happen to run on the same twelve-month clock.

5. In Fairness to the Annual Plan

It would be easy, and it is fashionable, to treat the annual cycle purely as a failure of nerve. That would be too quick. Before arguing for something else, it is worth stating the strongest case for the thing we have, because the annual plan does real work that any replacement will have to do too.

It coordinates. A large organisation is a machine for doing things that no single part can do alone, and coordination requires shared reference points. When everyone re-plans on the same rhythm, dependencies can be seen and reconciled: finance, delivery, and the business are looking at the same list at the same moment. A genuinely continuous portfolio, if it is careless, loses this. If every part re-prioritises whenever it likes, the parts stop being able to rely on each other, and the organisation trades rigidity for incoherence.

It commits. There is a difference between a decision and an intention, and the annual plan forces the harder of the two. By fixing the portfolio, it makes people live with their choices long enough to learn something from them. A portfolio that can be changed at any moment can also be abandoned at the first difficulty, and much of the value of a transformation comes precisely from pushing through the trough where it has stopped being exciting and has not yet begun to pay. Constant reprioritisation can be a sophisticated form of never finishing anything.

It creates accountability. A fixed plan is a promise, and promises can be checked. "We said we would do these ten things; here is what happened to each" is a conversation an organisation can have. "We are continuously optimising our portfolio" is much harder to hold anyone to. The annual plan's rigidity is also its accountability; loosen one and you risk loosening the other.

“A portfolio that can be changed at any moment can also be abandoned at the first difficulty.”

Any honest argument for continuous management has to answer these three virtues — coordination, commitment, accountability — rather than pretend they are not real. The failure mode of the annual plan is rigidity. The failure mode of its naive opposite is thrash. Both are real, and a serious answer has to steer between them rather than simply swapping one for the other.

6. The Programme That Could Not Be Stopped

Let me make the cost concrete, because the argument turns on it. Consider a composite that will be familiar to anyone who has sat on an investment committee.

An organisation approves, in its annual plan, a programme to consolidate three overlapping operational systems into one. The business case is sound at the time it is written. The projected benefit is a recurring saving of, say, four million a year once the old systems are retired, against a build cost of six million spread over eighteen months. It ranks near the top of the plan. Funding is committed for the year.

Four months in, the ground shifts. One of the three systems being consolidated is, for reasons entirely outside the programme, replaced wholesale by the division that owns it — a decision taken on its own timetable, for its own good reasons. The consolidation programme's benefit case has just lost a third of its foundation. A clear-eyed observer, looking at the situation fresh in that fourth month, would not start this programme. The numbers no longer work: the recurring saving is now closer to two and a half million against the same six-million build, and the payback has stretched past the point at which anyone would have approved it.

And yet the programme continues. It continues because the money was committed in the annual plan, and stopping it would “waste” what has already been spent — the sunk-cost reflex dressed as prudence. It continues because a senior leader's objectives are tied to its delivery. It continues because there is no scheduled moment, before next autumn, at which the portfolio formally reconsiders itself, and no one wants to be the person who reopens a settled decision out of cycle. So it runs for another year, consuming perhaps two and a half million more and the attention of some of the organisation's better people, to deliver a benefit that no longer justifies it.

The waste here is not the money already spent. The waste is everything spent after the moment the case collapsed — and the annual cadence is precisely what guaranteed that no one was looking at that moment. This is the real cost of the calendar. It is not that annual planning produces bad initial decisions; often the decisions are good when made. It is that the annual cadence removes the organisation's ability to un-make a decision when the world invalidates it. A plan you can only revise once a year is a plan that is wrong for most of the year, and expensively so.

7. What “Continuous” Would Actually Mean

If the disease is the inability to revisit decisions between planning rounds, the cure sounds obvious: revisit them continuously. But “continuous portfolio management” is a phrase

that hides most of its difficulty, and it is worth being precise about what it would actually require — because the naive version is worse than the disease.

Continuous, done seriously, does not mean re-scoring the whole portfolio every week. That way lies thrash: the organisation so busy reprioritising that nothing survives long enough to deliver, every initiative spending its life defending its ranking rather than doing its work. Continuous, done seriously, means something more specific.

1. A live view of capacity and demand, so that the organisation knows at any time what it is actually working on and what that leaves free — not a snapshot taken once in the autumn and trusted for a year.
2. Funding released in tranches against evidence, rather than committed whole against a business case written before anything is known. The stage-gate discipline that many organisations already apply to individual projects, raised to the level of the portfolio and actually enforced — meaning the gate can say no, and money not yet released can be redirected.
3. A standing governance body that decides rather than reports — one whose purpose is to reallocate, to stop, and to start, and that meets often enough to act before a collapsed business case has run for months.
4. An explicit, protected core of commitments that are deliberately not up for continuous revision, so that coordination and commitment survive. Not everything should be fluid; the art is in choosing what is fixed and what is free.

Notice that only the third of these is really about cadence. The others are about the shape of funding, the honesty of the capacity picture, and the discipline of deciding in advance what will be held stable. "Continuous" is a slightly misleading name for what is actually needed, because the goal is not to make everything faster or more fluid. The goal is to put the organisation in a position to change its mind when — and only when — the evidence demands it.

8. Separating the Two Things the Year Fuses

Here is the reconciliation this essay has been building towards. The annual cycle fuses two things that do not have to travel together: coordination, and the commitment of capital. It uses one act — the annual plan — to do both, and that fusion is the root of the trouble.

Coordination genuinely benefits from a shared rhythm. There is real value in the whole organisation looking at the same portfolio at the same time, reconciling dependencies, agreeing a common direction. This part of the annual cycle is worth keeping, and a sensible organisation keeps it: an annual moment to agree strategic intent, to set the themes, to look across the whole and coordinate the parts.

The commitment of capital does not benefit from that rhythm at all. It only appears to, because we have historically done both in the same room, on the same afternoon. There is no reason the money for an eighteen-month programme must be committed in a single annual act, and every reason it should not be. Fund the first stage; release the next against what the first reveals; hold the unreleased capital in a pool that the standing governance body can redirect. The moment funding is decoupled from the calendar, the programme that could not be stopped becomes a programme that simply does not receive its next tranche — no drama, no reopening of a settled decision, just a gate doing its job.

Dimension	Governed by the calendar	Governed by evidence
Coordination	Annual, shared — keep this	Annual, shared
Capital commitment	Annual, whole, hard to reverse	Tranche by tranche, redirectable
Prioritisation	Set once, then drifts for a year	Revisited when the evidence changes
Stopping an initiative	Effectively only at year-end	At any gate
Governance's role	Reports against the plan	Decides, reallocates, stops and starts

The prize is not a portfolio in constant motion. It is a portfolio that is stable where stability helps — in its coordinating rhythm and its protected core — and fluid where fluidity helps — in the release of money against evidence. This is a less dramatic proposition than abolishing the annual plan, and it will disappoint anyone hoping for a clean revolution. But it is the version that can actually be adopted, because it does not demand that finance, audit, reward, and human temperament all be re-engineered on the same day. It asks only that we stop using one instrument to do two jobs.

9. The Habit and the Discipline

Why, then, if the reconciliation is this reasonable, is it so rarely reached? Because separating coordination from commitment is harder in practice than in prose. It requires a finance function willing to hold capital in a redirectable pool rather than cascade it entirely into departmental budgets — which reduces the local certainty that departments prize. It requires a governance body with the authority, and the stomach, to stop things; and stopping a programme is culturally far more difficult than starting one, because it creates a visible loser, and organisations are quietly arranged to avoid that. It requires leaders to hold their objectives more loosely than the annual bonus cycle encourages. And it requires everyone to give up the particular comfort of the settled plan — the relief of having decided — in exchange for the lower-grade, continuous discomfort of holding decisions open.

That last cost is the one least often named and most often decisive. The annual plan endures not principally because organisations are foolish or slow, but because it answers a real human need to convert an anxious, open question into a closed one. Continuous portfolio management, honestly understood, refuses that comfort. It asks the organisation to live permanently in the uncomfortable middle — holding its commitments firmly enough to deliver, and loosely enough to abandon when the evidence turns. That is a matter of temperament as much as technique, and it is why the tools of continuous management can be bought and installed and still not take: the discipline they require is emotional before it is procedural.

We are, as a profession, fluent in the mechanics of planning and far less fluent in the temperament that continuous management demands. The gap between transformation intent and transformation reality — the gap this whole discussion has circled — is rarely a gap in method. It is a gap between what we know to be true about a changing world and what we can bring ourselves to do about it. The calendar persists because it is comfortable; and comfort, in the management of change, is almost always the thing to be suspicious of.