



Zero Based Budgeting (ZBB)



ZBB: Radical Approach to Budgeting

ZBB can act as a management tool for complete business transformation and not just cost reduction

Zero based budgeting is a structured way to develop the budget of an organization. It is not a one-time budgeting exercise, but a multi-year program which brings about a mind-set and a culture shift towards the way the business is done in the organization. It is a tool which drives innovation and competitive advantage, while optimizing costs and providing capital for growth.

Through ZBB, allocation of spend is made in alignment with company strategy and growth directions. Expenses are grouped into cost categories of similar nature and spending levels are determined on the basis of cost drivers rather than historical trends. The identified cost categories are co-owned by both the cost category owner and the budget owner. ZBB allows the organization to rework its operating structure across functions, geographies and business units in a more efficient and value focused way.

Detailed Visibility

Visibility of cost across the organization,
bucketed into cost categories of similar nature

Cultural Shift

Organizational change
where cost optimization
becomes part of the
company's culture



Shared Accountability

Shared accountability
between the cost category
owner and the budget
owner

Key Success Factors

Success stories with ZBB



AB Inbev, Kellogg, Campbell, Unilever, Mondelez International have all successfully used ZBB as a turnaround tool in the last two decades

Levers for Business Transformation

From spend analysis to automation, ZBB uses multiple levers in a phased manner for business transformation



01

Spend Analysis and Vendor Negotiation

- Consolidate the spend into categories for annual bidding
- Identify new vendors including manufacturers
- Negotiate price and other terms for achieving maximum value

Eg: Direct purchases (COGS), Indirect purchases, Rent

Time and Motion Study

- Define objective, tasks, time required and frequency of an activity
- Based on volume of work and desired service level, determine the ideal team size for each role

Eg: For a given call traffic, optimize the number of call center agents across shifts



02

Process Re-engineering

- Understand the current processes and determine the gaps
- Identify opportunities for process improvement / re-engineering
- Develop implementation roadmap

Eg: Introducing preventive maintenance



03

Automation of Processes

- Identify processes which have scope for automation
- Perform cost-benefit analysis for each such process in consultation with process owner and automation vendors to arrive at final list

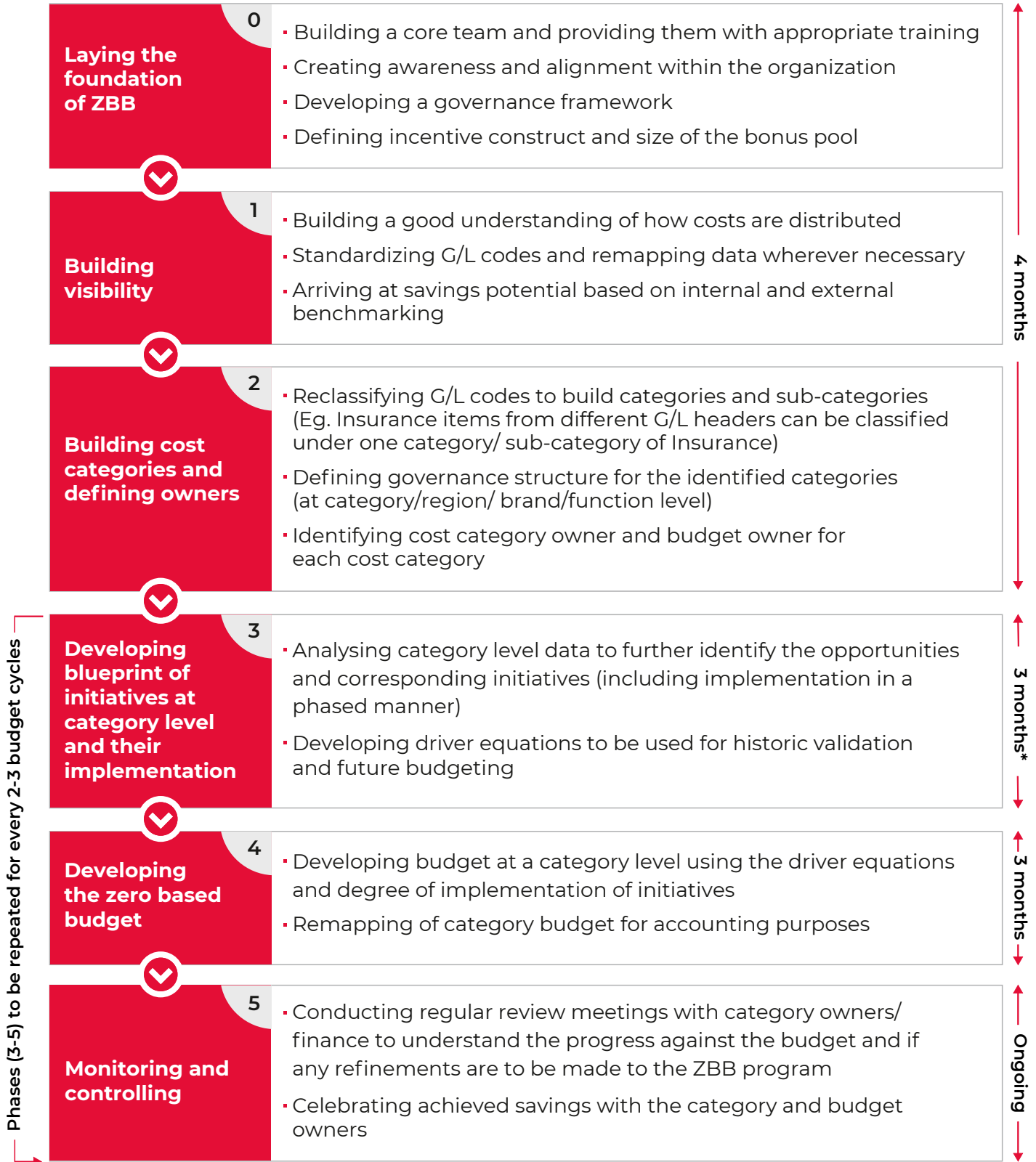
Eg: Implementation of IVR, Chatbots, Robotics



04

Implementation of ZBB

ZBB is implemented through a phased approach with some one-time phases and several phases repeated for every 2-3 budget cycles

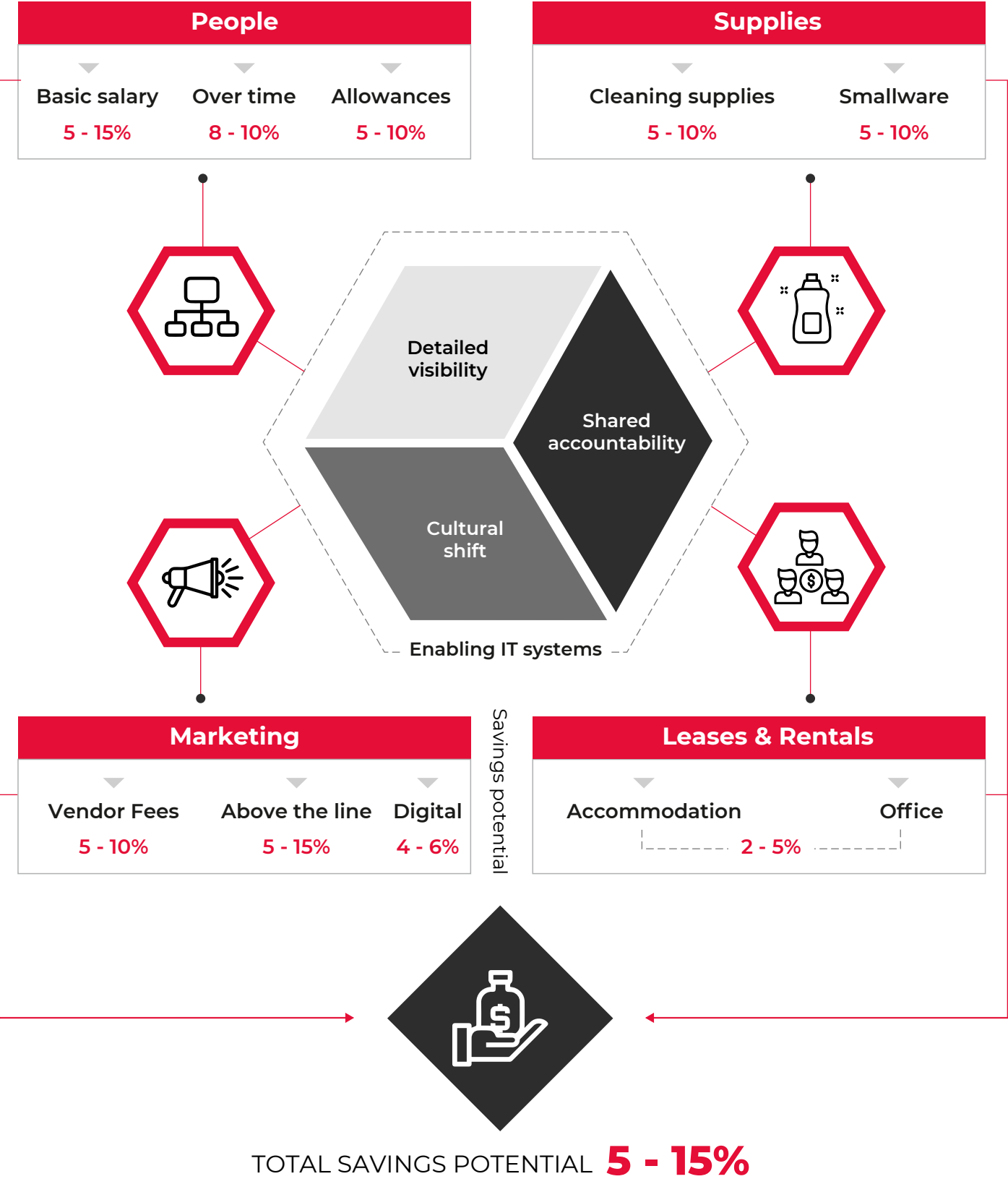


*Identification and implementation of initiatives will be an ongoing activity

Timelines are indicative

How much savings can be expected?

Cost reduction of 5 - 15% can be expected by optimizing levers across major cost categories such as People, Supplies, Marketing, Leases & Rentals etc.



Savings are indicative and dependent on various factors



18th Floor, Berger Delhi One, C-001/A2,
Sector 16B, Gautam Budha Nagar,
Noida - 201301, U.P., India



+91 966 705 9494
+91 991 087 5777



acuvon.com
info@acuvon.com