

WHITE PAPER

The bottom line: Zero-based budgeting

Use zero-based budgeting to fuel
corporate growth and strategy



Anaplan

With a proper budgeting process established, businesses can make the right resources available to support future growth and development. A budget helps allocate money and resources throughout the organization. In recent years and amid increased uncertainty, businesses have been looking for additional ways to improve growth and cut costs. This search has led many organizations to re-examine zero-based budgeting (ZBB), an approach to budgeting that has been around since the late 1970s.

ZBB is a cost discipline that can help improve resource planning, employee engagement, and organizational collaboration. The approach can translate into cost savings that fund future strategic initiatives and drive growth.



What does the ZBB methodology look like?

The ZBB methodology operates in stark contrast to traditional annual budgeting approaches. Traditional annual budgets are often produced by taking the previous year's actuals and adding a few percentage points to account for wage rises and inflation. This simplified and incremental budgeting can lead to inefficiencies and missed opportunities for greater cost savings.

ZBB requires that organizations build their annual budget from zero each year (thus its name) to help verify that all components of the annual budget are cost-effective and relevant, and drive improved savings.





How can businesses implement a ZBB approach?

Over the years, organizations in both the private and public sectors have tried—often unsuccessfully—to make ZBB work within their planning processes. These attempts were largely unsuccessful due to the complex nature of spreadsheet consolidation in manual environments. Legacy systems with traditional data architectures struggled to provide the flexibility needed to quickly and easily amend planning models.

As advancements in technology and capabilities have improved with cloud-based planning tools like Anaplan's forecasting models in recent years, businesses are now able to implement ZBB quickly and effectively with flexible, fast, and easy-to-manage systems.



The [Anaplan] platform allows us to quickly do recalculations, see gross margin statements instantly, and drill down deeper into the data. The virtualization of forecasting is also greatly improved, and we can use filters and sorting tools to see on-the-spot outcomes and quickly analyze whether reality is meeting forecasts."

Planning Manager at a Leading Global CPG Enterprise



How is ZBB supported by technology?

For ZBB to be successful, it needs to be executed through a capable and lexible planning solution. Today's technology can support analogous cost comparisons across operating units and regular reviews, and by alerting users to any adverse variances, all critical components of an effective ZBB approach.

Traditional planning and budgeting systems, and even some newer cloud-based solutions, focus solely on the financial aspects of budgeting and cannot provide detailed insights into the operational drivers that managers need when deciding whether to remove an expense.

The Anaplan platform, a cloud-native solution, can enable, support, and execute effective ZBB methodologies by providing organizations with:

- Financial and operational data in one central repository for collaborating with users responsible for other markets, production plants, and business functions.
- Self-service modeling that allows businesses to evaluate market opportunities and execute confident strategies.
- Integrated modeling, reporting, and analysis capabilities for increased speed and agility.
- A cloud-native platform that requires minimal IT support.
- Fast implementation, as compared to legacy systems.
- An exclusive App Hub that provides access to industry best practices, models, and inspiration.

The benefits of zero-based budgeting

Organizations that use ZBB successfully not only cite increased cost savings, but also share additional benefits, which include forward-looking resource planning, improved employee engagement, and increased collaboration.



Leaders of CPG companies that have implemented ZBB initiatives said they have saved between 10 and 25 percent on their selling, general, and administrative (SG&A) expenses within six months."

Zero-based Budgeting



Improved staff engagement



Cost discipline that aligns with corporate objectives



Increased collaboration



Improve business margins



Forward-looking resource planning



Cost savings that can drive further business growth



About Anaplan

Anaplan is the only scenario planning and analysis platform designed to optimize decision-making in today's complex business environment so that enterprises can outpace their competition and the market. By building connections and collaboration across organizational silos, our platform intelligently surfaces key insights — so businesses can make the right decisions, right now.

More than 2,400 of the world's best brands continually optimize their decision-making by planning with Anaplan.

To learn more, visit www.anaplan.com

