

Zero-based budgeting: When and how to do it



Is zero-based budgeting right for your organization? Read Gartner's key findings on effective zero-based budgeting implementation to guide your plan.

Practice zero-based budgeting if your company has:

A mature strategic planning process

A mature strategic planning process can be used to prioritize budget needs, on which effective zero-based budgeting depends.

Experienced inorganic growth

Mergers and acquisitions typically result in duplicate overhead costs that zero-based budgeting can resolve.

A lot of overhead

When overhead structure and costs are complex and greater than benchmark, zero-based budgeting can provide relief.

Zero-based budgeting is more likely to succeed if your company has:

Comprehensive data

Maintain comprehensive data about all company costs

Smart metrics and/or KPIs

Identify metrics and/or KPIs to assess the value and alignment of cost center activities to strategic pillars

Talent

Train cost center or department managers on how to zero-base budget

Committed leadership

Secure the leadership team's endorsement of zero-based budgeting and clearly message its adoption to corporate and business leaders

Reduce zero-based budgeting effort by:

Being selective

Be selective about which departments and years to do zero-based budgeting, and about what level to examine expenses

Being flexible

Adjust the submission process requirements in the zero-based budgeting process

Prioritizing zero-based budgeting

Accelerate review cycles and decisions for departments that zero-base budget

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Answer the following 5 questions to help determine whether to proceed with zero-based budgeting at your organization, or take a different approach.

Zero-based budgeting (ZBB) litmus test

Question:

Your answer:

1. Our company has:

Grown through mergers or acquisitions that may have resulted in duplicate overhead costs, or
Complex overhead structure and costs are greater than benchmark.

Yes No

<input type="checkbox"/>	<input type="checkbox"/>	} →
<input type="checkbox"/>	<input type="checkbox"/>	

X → Don't pursue ZBB; instead consider incremental or driver-based budgeting.

2. Our company has a mature strategic planning process that can be used to prioritize budget needs.

<input type="checkbox"/>	<input type="checkbox"/>	→
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X → First establish strategic pillars for spending categories.

3. We have identified metrics and/or KPIs to assess the value and alignment of cost center activities to strategic pillars.

<input type="checkbox"/>	<input type="checkbox"/>	→
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X → Establish a framework to assess the alignment of expenses to strategic pillars.

4. We have a leadership team that has fully endorsed ZBB and clearly messaged its adoption to corporate and business leaders.

<input type="checkbox"/>	<input type="checkbox"/>	→
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X → Get leadership to broadly signal its support and intent to pursue ZBB.

5. We have trained cost center or department managers on how to ZBB.

<input type="checkbox"/>	<input type="checkbox"/>	→
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X → Train corporate and business managers on what ZBB is and how to submit decision proposals for ZBB.

Our priority? Helping you achieve yours.

Before you run to implement zero-based budgeting for your organization, baseline your understanding and expectations when it comes to zero-based budgeting usage, context, organizational impact, process and strategy.

This will ensure that you're positioned for success, no matter if the goal of zero-based budgeting is to **improve resource allocation, business partnership or corporate culture.**

Trust Gartner to get you there: our support, which stems from proven approaches used by the world's leading companies, helps you **save time and make better decisions within the finance function, including decisions related to budgeting, planning and forecasting.**

Learn more at gartner.com/en/finance