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Ops 4.0: The zero hour for a budget-driven transformation

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Sophisticated analytics techniques make zero-based budgeting more feasible, flexible, and profitable than ever for an entire organization.

First developed almost half a century ago, zero-based budgeting has already proved its power by achieving billions of dollars in lasting cost reductions. Several of the highest-profile examples involve companies in the consumer sector, where slow growth called for drastic action.

But in other sectors, skepticism remains common; executives fear that these ideas will take up so much time and attention that the organization will be left doing little else—and that as a result, ZBB will become a one-time exercise.

Yet today, some companies are already putting simple ZBB-based digital analytics tools in the hands of virtually every employee with budgetary responsibility. In this way, they are building speed, scale, and sustainability throughout the ZBB process and realizing cost savings of 10 to 25 percent in the first year, with additional savings thereafter.

Making better trade-offs. The proof is in the budgeting. Historically, applying ZBB meant developing detailed templates and collating hundreds of spreadsheets with different data structures and different levels of quality and granularity. Today's integrated planning platforms build in the required data—including, in some cases, detailed benchmarks stretching back years or even decades.

Managers can readily make complex trade-offs that balance policy considerations (say, a preference for nonrefundable tickets) with variables such as fares, average lodging costs, time of year, country, and traveler seniority. The integrated platform makes it easy to iterate individual budget-plan components in any direction: top down (from executives to planners) and vice versa, in a tight cycle. The result is a budget rooted in detailed insights, with clear personal responsibility for each item—an immense cultural change.

Sustaining a new culture. These improvements can easily keep going year after year. One global company built a center of excellence where ZBB analysts work with cost-category

owners to update categories and prices so that each year's budget update uses the latest optimized data. That human investment helps ensure that the company's continuous improvement extends to ZBB itself. [□](#)

This article is adapted from “Ops 4.0: Fueling the next 20 percent productivity rise with digital analytics.”

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