



Zero-Based Budgeting

Oracle EPM Cloud

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Oracle
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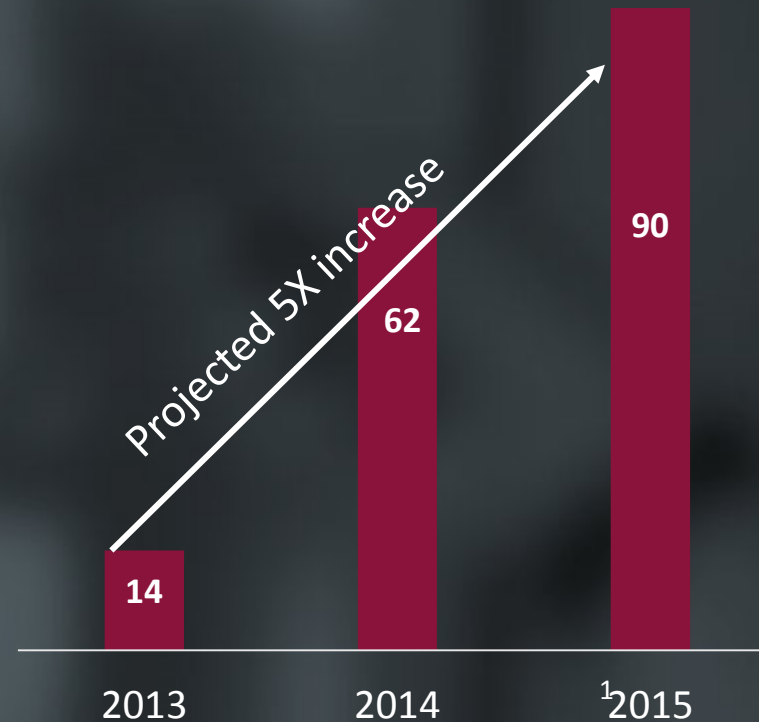
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Zero-Based Budgeting is Back

- ZBB expanding beyond CPG to retail, energy, finance, health care and manufacturing
- Companies of all sizes
- Innovation-driven due to accelerated pace of change
- Increased complexity of the business environment

Number of companies mentioning zero-base budgeting on quarterly earnings calls



¹ Projected based on year-to-date mentions

Source: Seeking Alpha: McKinsey & Company analysis

Poling Question #1

- What is your perception of zero-based budgeting?
 - It's a way to manage all operating expenses
 - It's used for extreme cost-cutting
 - It's used only for strategic initiatives

Polling Question #2

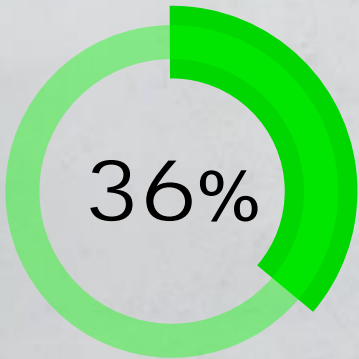
- Is your organization currently implementing zero-based budgeting in some capacity?
 - No
 - Yes, but only for new cost initiatives, not the entire spend
 - Yes, at the department level
 - Yes, at the enterprise level

AGENDA

1	Closed Loop & Zero-based Budgeting
2	Oracle Cloud Enablement of ZBB
3	Q&A

60% OF G1000 HAVE ANNOUNCED MAJOR COST TAKEOUT PROGRAMS

COMPANIES ARE DOING COST REDUCTION,
BUT THE SAVINGS DON'T STICK

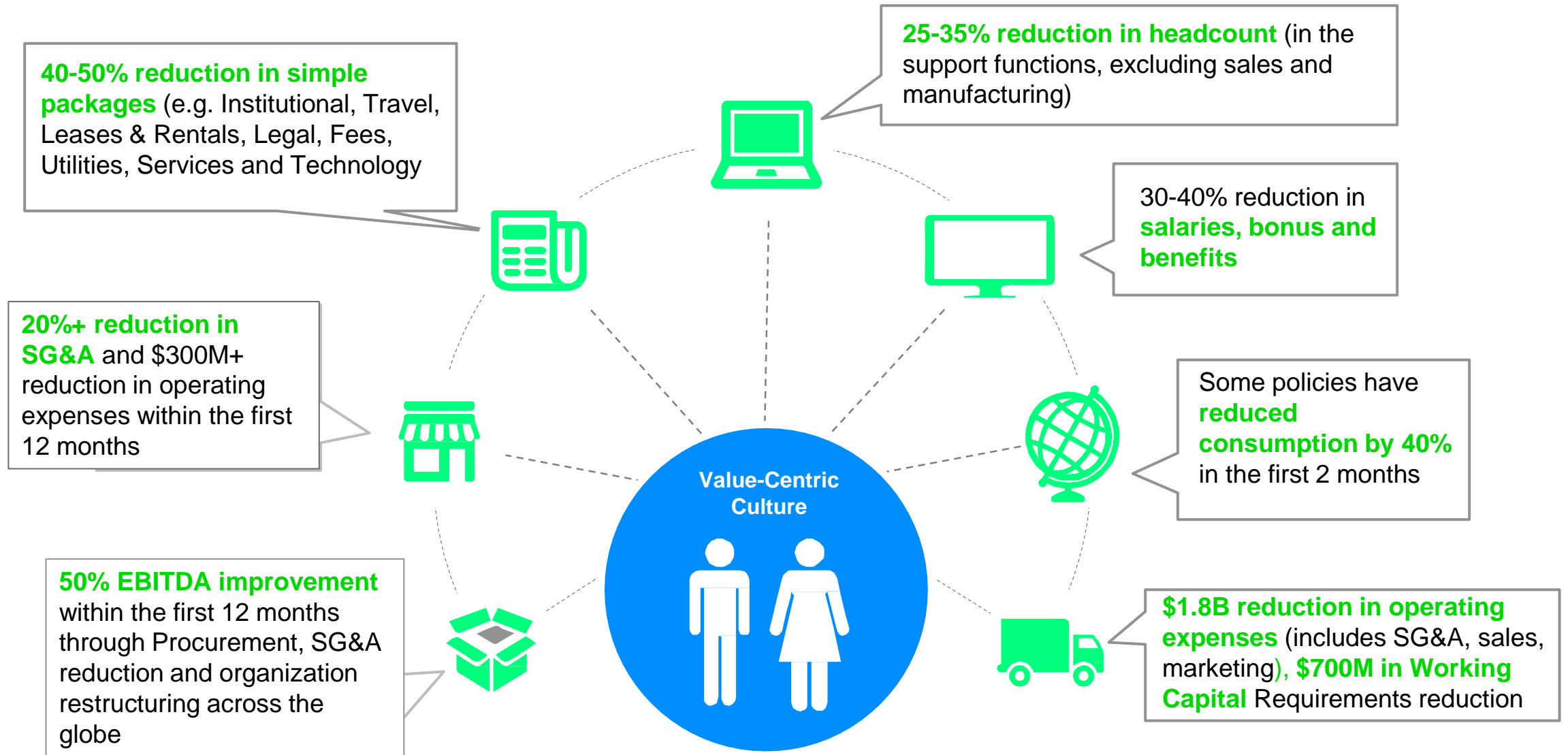


Strongly agree their business sustains the benefit of cost reduction

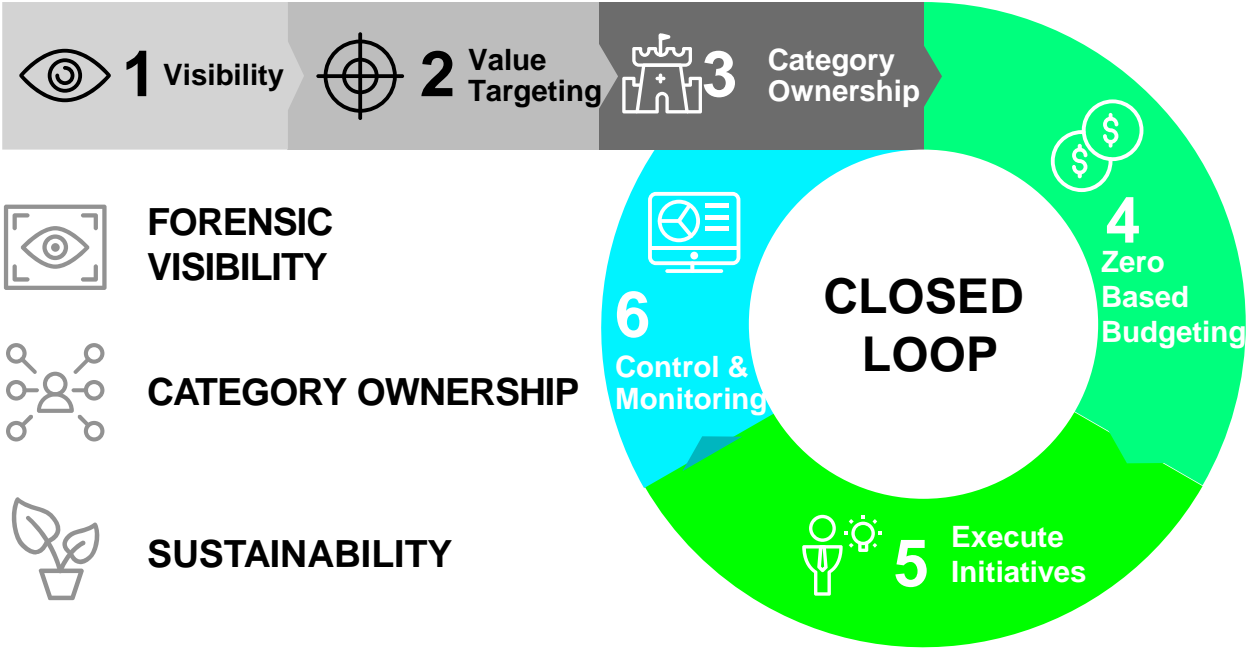
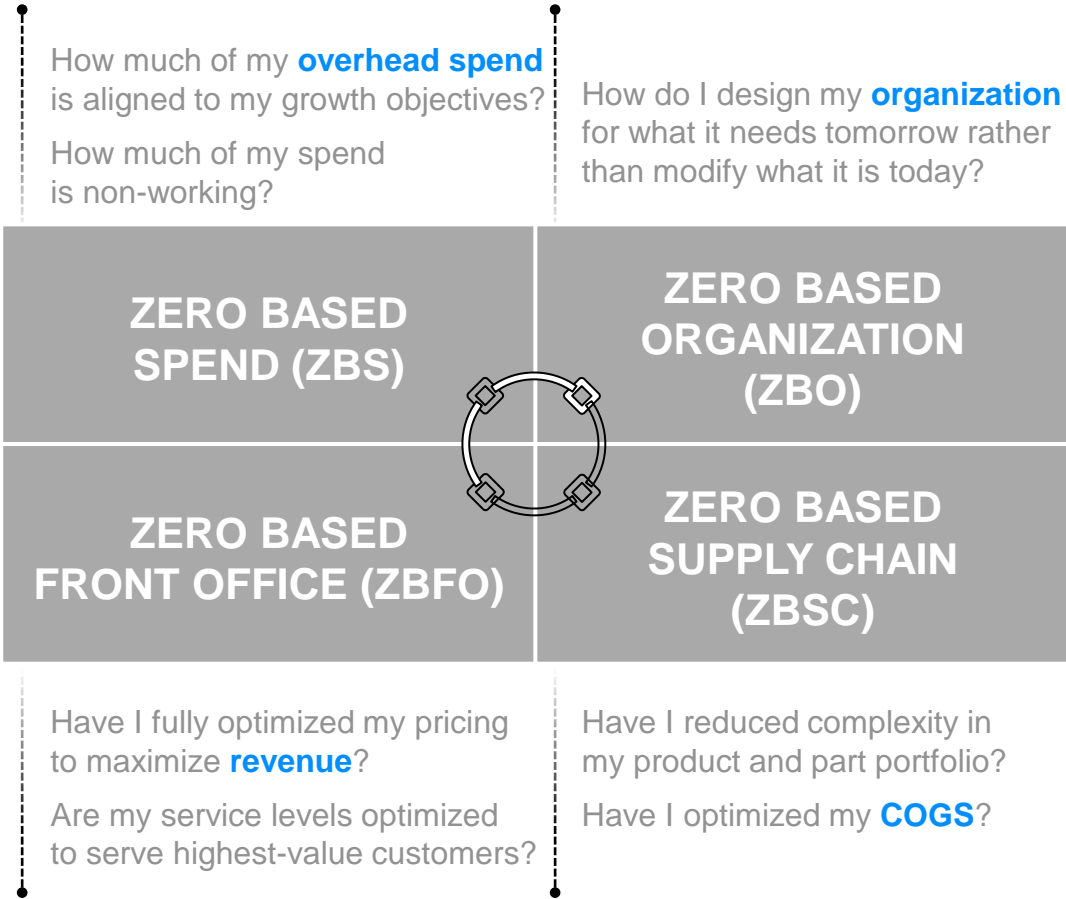
Structural Cost Transformation & Enabling the Growth Strategy Agenda Survey, Accenture, September 2015



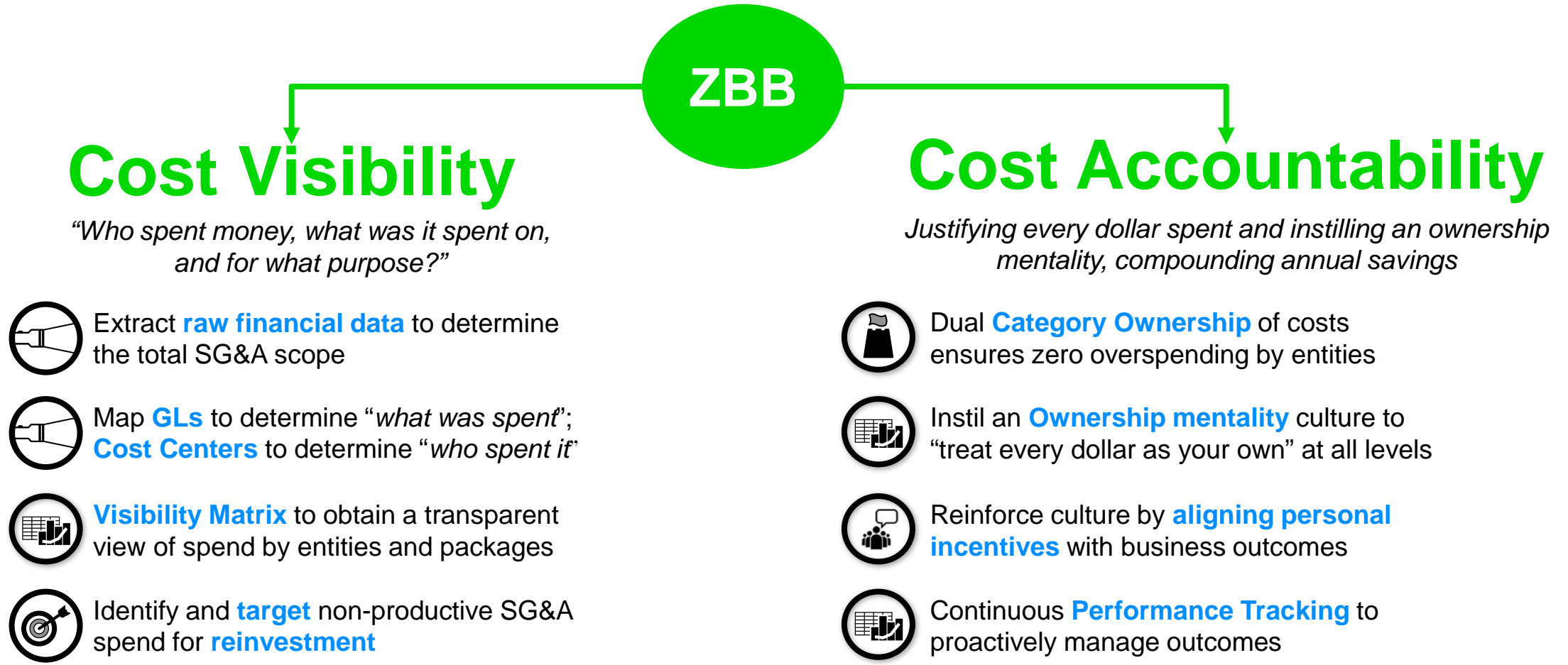
VALUE METRICS: THE IMPACT OF ZBB PROGRAMS



AT ACCENTURE, WE DELIVER SUSTAINABLE ENTERPRISE WIDE COST REDUCTION BY TOUCHING EVERY ASPECT OF THE P&L LEVERAGING 4 DISTINCT PLAYBOOKS TO MAKE THE RESULTS DURABLE



ZERO BASED BUDGETING IS THE PROCESS TO IDENTIFY, ELIMINATE, & PREVENT UNPRODUCTIVE EXPENSES ON AN ONGOING BASIS



Non-productive spend redirected to support strategic initiatives OR taken to the bottom-line

THREE PRINCIPLES UNDERPIN THE APPROACH TO ZERO BASED BUDGETING



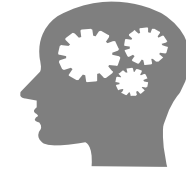
Full Cost Visibility

- Full cost visibility at a **consistent level of detail** across the different parts of the organization
- **No discrimination of cost** (i.e., SG&A or COGS) and a comprehensive view of overhead spend
- **Increased indirect baseline** by 20-40%



Clear Accountability

- **Cost category ownership** for each of the SG&A cost categories
- Each cost category owner **delivers a plan** for their cost category
- **Healthy tension** between functional budget owners and cost category owners to drive down cost



Culture

- Proactively manage the transformation process through a multi year **integrated change journey**
- Align leadership & prepare the business to **embed the change**
- For sustainability, drive the organization to **become more “cost conscious”**

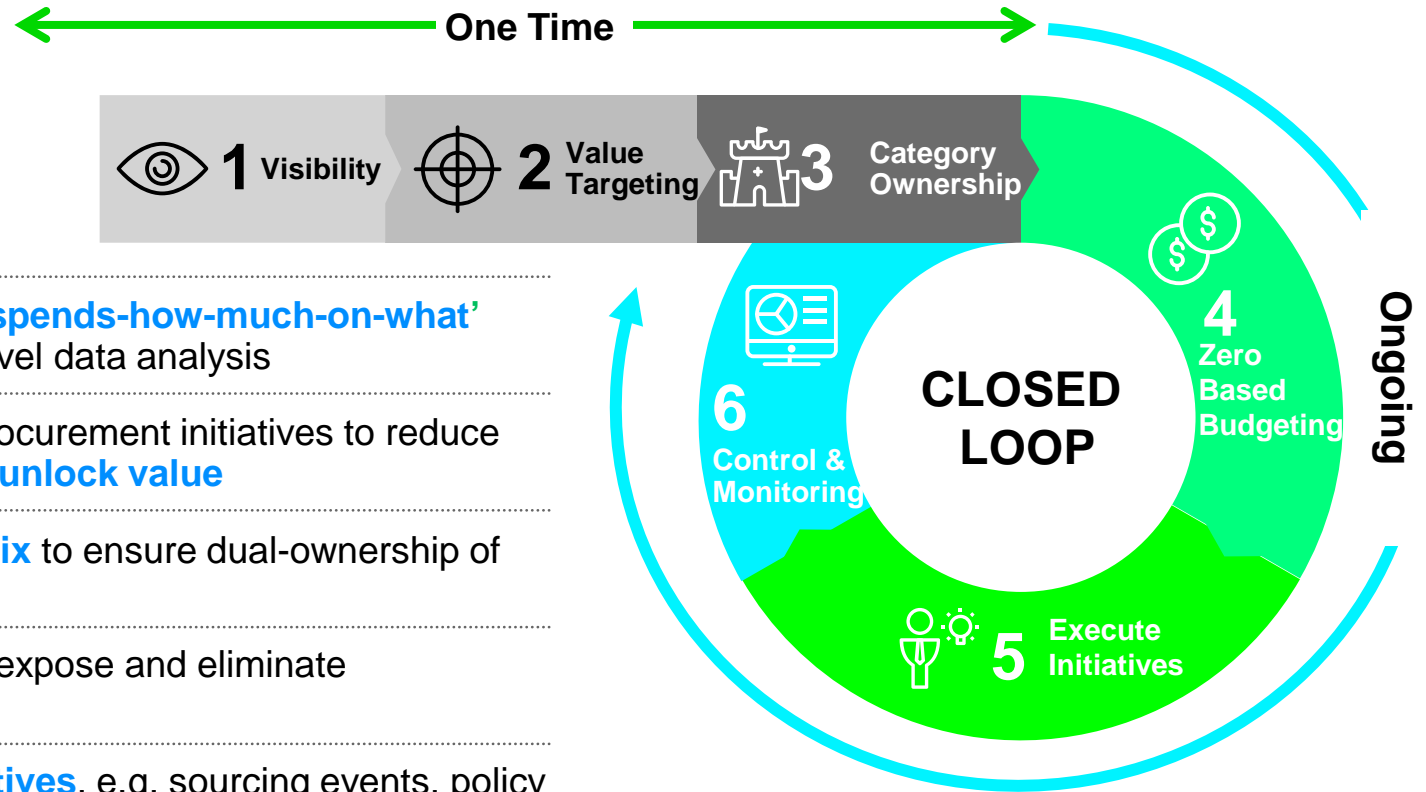
From Lack of Visibility
To Granular Transparency

From Minimally Governed P&L Lines
To Enterprise Stewardship of P&L Lines

From Slashing Budgets
To Sustainable “way of life”

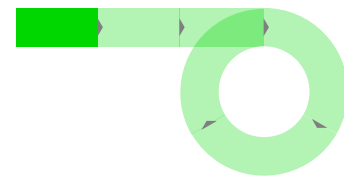
ACCENTURE'S CLOSED LOOP IS THE APPROACH TO SUSTAINABLE COST REDUCTION

Our patented approach creates deep visibility through forensics, identifies, eliminates and prevent unproductive expenses on an ongoing and establishes a structure enabling sustainment

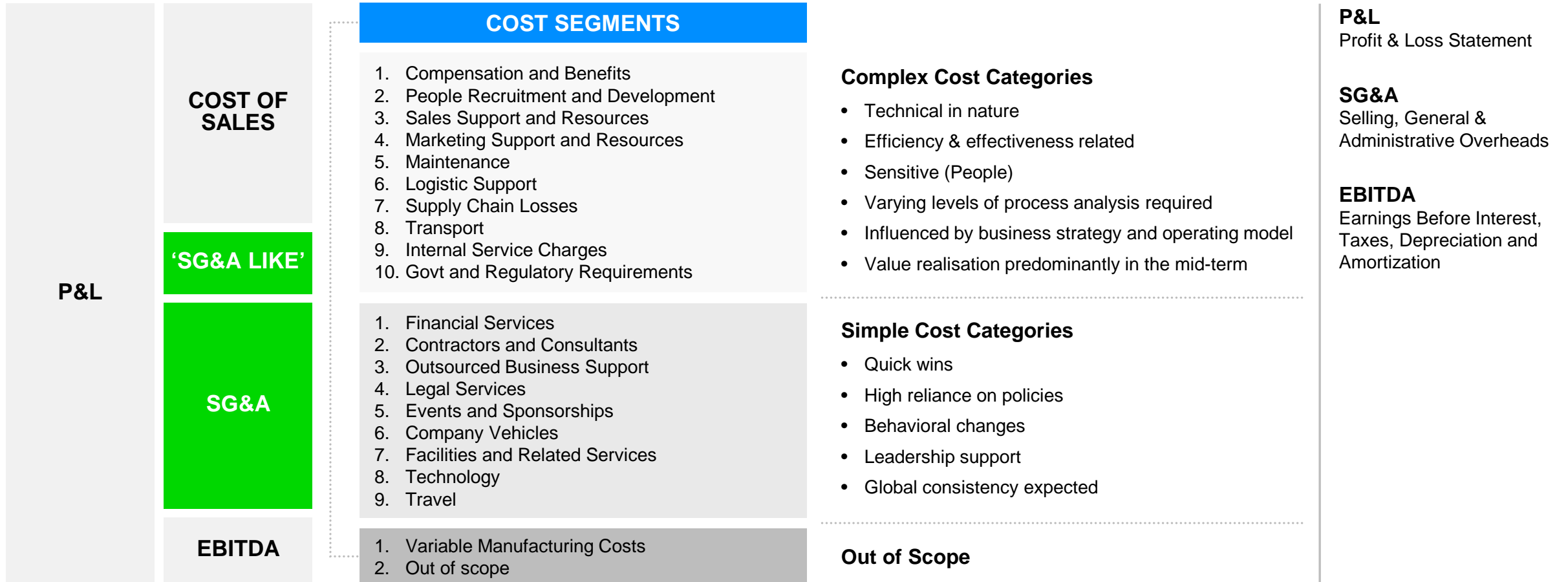


1	Visibility	Provide transparency to 'who-spends-how-much-on-what' through transactional/vendor level data analysis
2	Value Targeting	Define expense policies and procurement initiatives to reduce both consumption and price to unlock value
3	Category Ownership	Create an accountability matrix to ensure dual-ownership of every expense
4	Zero-Based Budgeting	Budget from zero annually to expose and eliminate unproductive expenses
5	Execute Initiatives	Execute cost reduction initiatives , e.g. sourcing events, policy implementations, and other initiatives to drive savings
6	Control & Monitoring	Monthly review to identify budget variances , owners responsible, and action plans to resolve them

DURING VISIBILITY WE MAP ALL FINANCIAL DATA TO A STANDARD SET OF COST CATEGORIES



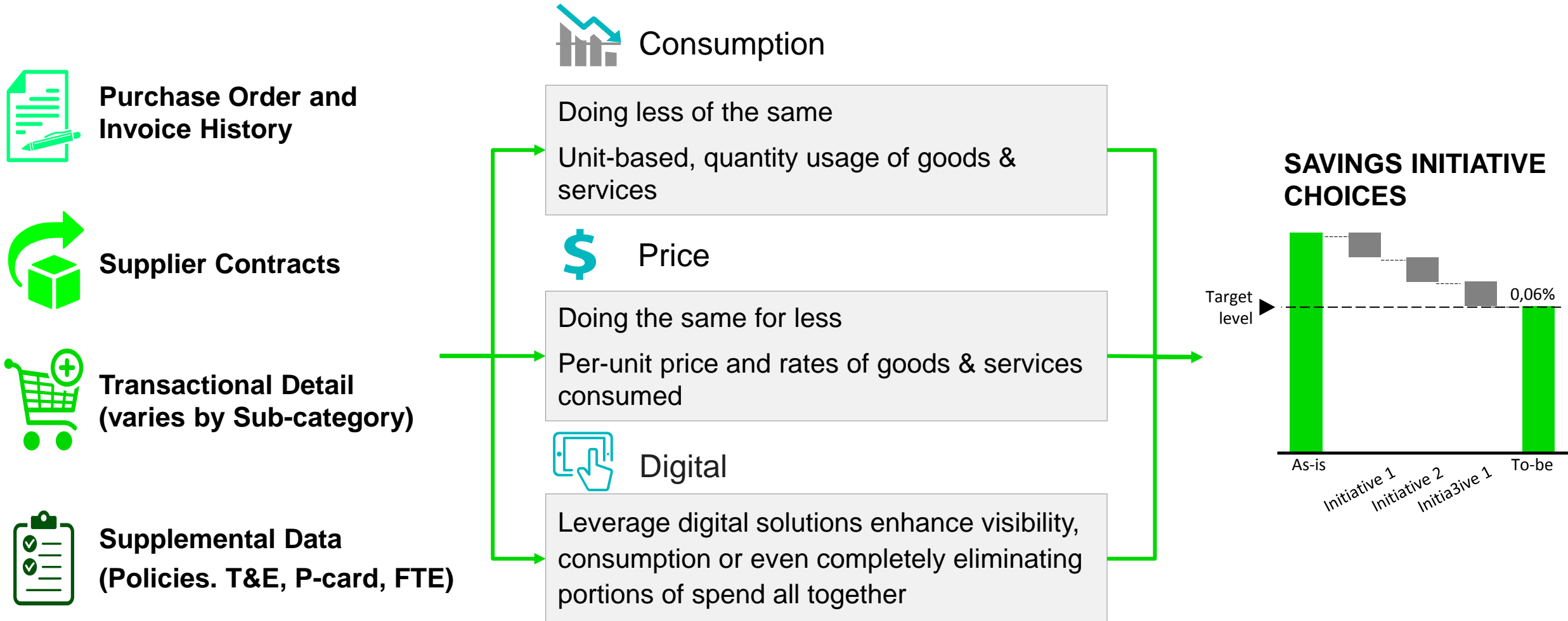
Simple Categories are more “consumption” driven, and Complex categories can be more “initiatives” or “projects” driven



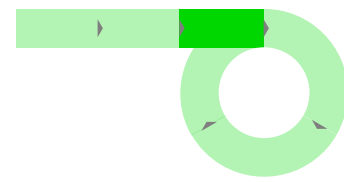
DURING VALUE TARGETING, WE LOOK AT VALUE LEVERS BY CATEGORY



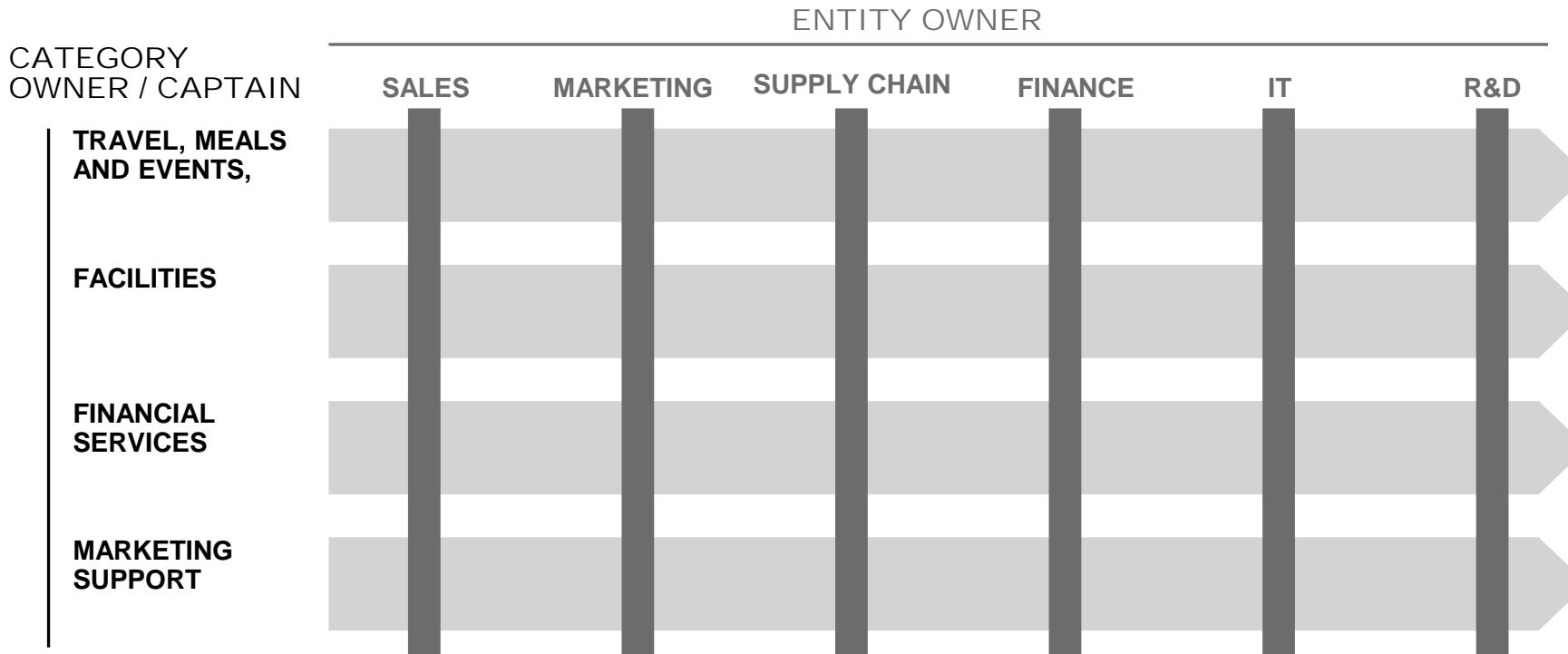
Through detailed analysis of **Cost drivers** and **Should Cost Modeling**, initiatives are identified to deliver savings



CATEGORY OWNERSHIP: OPTIMAL SPEND OWNERSHIP



Dual ownership and shared responsibility is established between category and budget owners



CATEGORY OWNERS

- Have a deep understanding of cost drivers (price and consumption)
- Establish and ensure compliance with policies for cost category and subcategories
- Challenge budgets, across all departments for the specific category
- Identify and spread Best Practices
- Identify opportunities and validate action plan
- Validate cost category budget
- Monitor / Control cost category expenses (actual vs. budget)

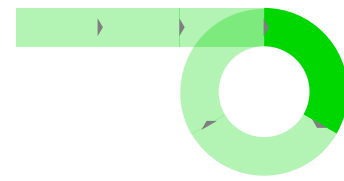
PROFILE

- Senior
- Knowledgeable on company
- Ready to 'lead by example'

ENTITY OWNERS (BUDGET OWNER)

- Responsible for budgeting and monitoring their cost center budgets
- Use the guidelines and policies and work with Cost Category owners to prepare their budgets
- Negotiate and validate budget with each cost category owner

FOR EACH INDIVIDUAL CATEGORY, KEY GUIDELINES DRIVE THE BUDGET EXECUTION PROCESS



Build the budget like a bill of materials



Budget at the most granular level possible



Airfare costs are itemized by **type of trip, frequency, and trip price**



Separate price and consumption



Zero-based but with a savings target



Consulting labor costs are itemized to show amounts **by vendor, rate, and type of consulting services**



Pre-set pricing, whenever possible

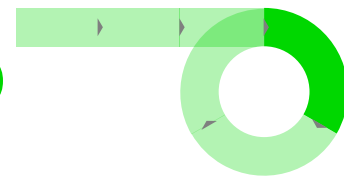


Category and Entity owner negotiations serve as a check and balance in the process

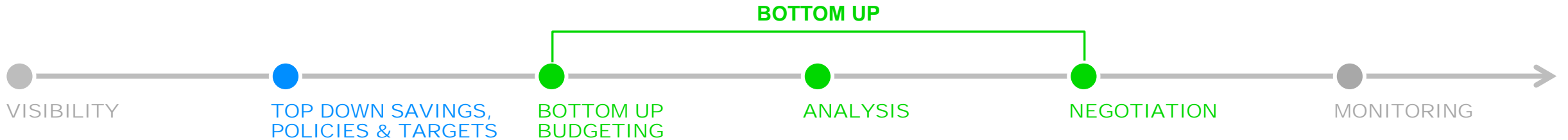


Departmental events are itemized by **purpose, location and \$/FTE**

ZERO BASED BUDGETING IS PART OF AN END-TO-END PROCESS FOCUSED ON UNLOCKING VALUE



Bottom up budgeting Creates greater certainty, continued cost transparency and confidence in savings realization



Key Process Steps

Create a **consistent mapping** of the costs into a matrix of cost categories and business functions according to Zero-based Budgeting is part of an End-to-End Process, in order to have a clear insight in 'who spends how much and on what'

Proceed to an **initial opportunity identification** to identify cost savings opportunities **across cost drivers**, define policies for all cost categories and set **top down targets** per cost category

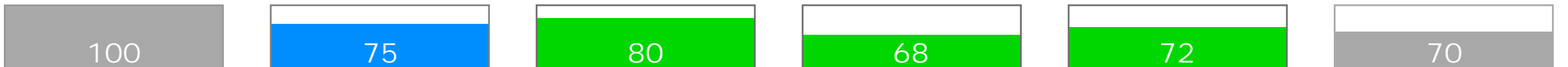
Create **bottom up budget by business function** starting from a zero base, while adhering to strict policies and according to the **cost category split** and their cost drivers embedded in budget templates

Analyze the bottom up budget by checking adherence to guidelines /policies, benchmarking and running analytical models both on price and consumption cost drivers in order to **identify detailed savings opportunities**

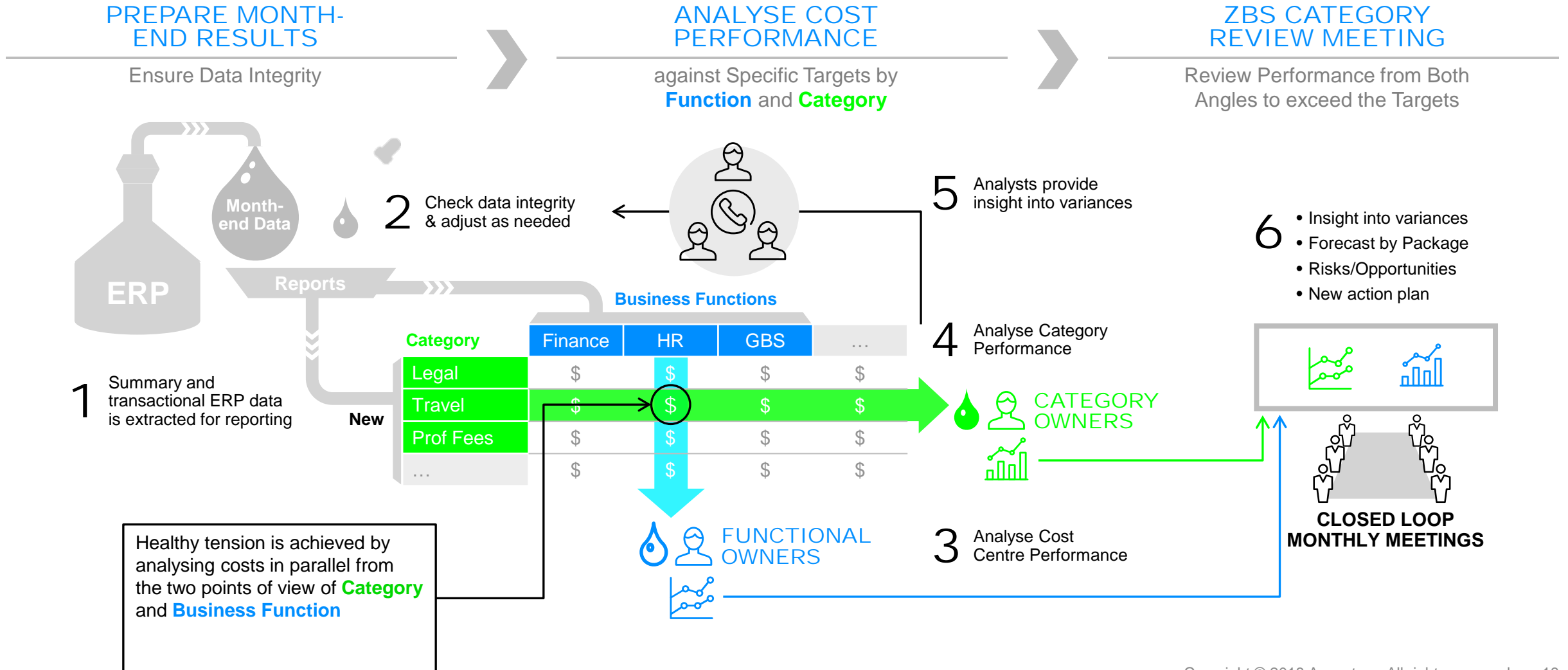
Organize sessions with the **cost category owners and budget owners to negotiate** the detailed savings opportunities and agree on the final budget

Confirm target achievement by tracking variances between the budget figures and the actuals on a monthly basis and setting up action plans

Illustrative Change of Budget



CONTROL AND MONITORING CATEGORY REVIEWS ARE INTEGRATED INTO THE STANDARD PERFORMANCE MANAGEMENT PROCESS



WHAT ARE THE BENEFITS OF ZERO-BASED BUDGETING?



- **Transparency**
Creates unprecedented spend visibility for where spend is incurred (location/function)
- **Standardization**
Drives consistency of the budgeting process and standards across the globe
- **Accountability**
Establishes business ownership of budgets and encourages everyone to treat the company's money as their own
- **Tracking & Monitoring**
Enables accurate tracking of actual spend against budget and visibility into key budget assumptions
- **Efficiency**
Focuses on the “need” for spending, rather than building off history
- **Cultural Change**
Challenges Budget Owners to behave like owners of the business

ZBB TOOLS PROVIDE THE NECESSARY EFFICIENCIES TO THE PERFORMANCE MANAGEMENT PROCESS

Scope Coverage:

Centralized budgeting tool for Cost Center owners to manage and track category spend

Detailed Cost Center expense bottom up budgeting tailored to each Cost category requirements providing **separation of price vs consumption**

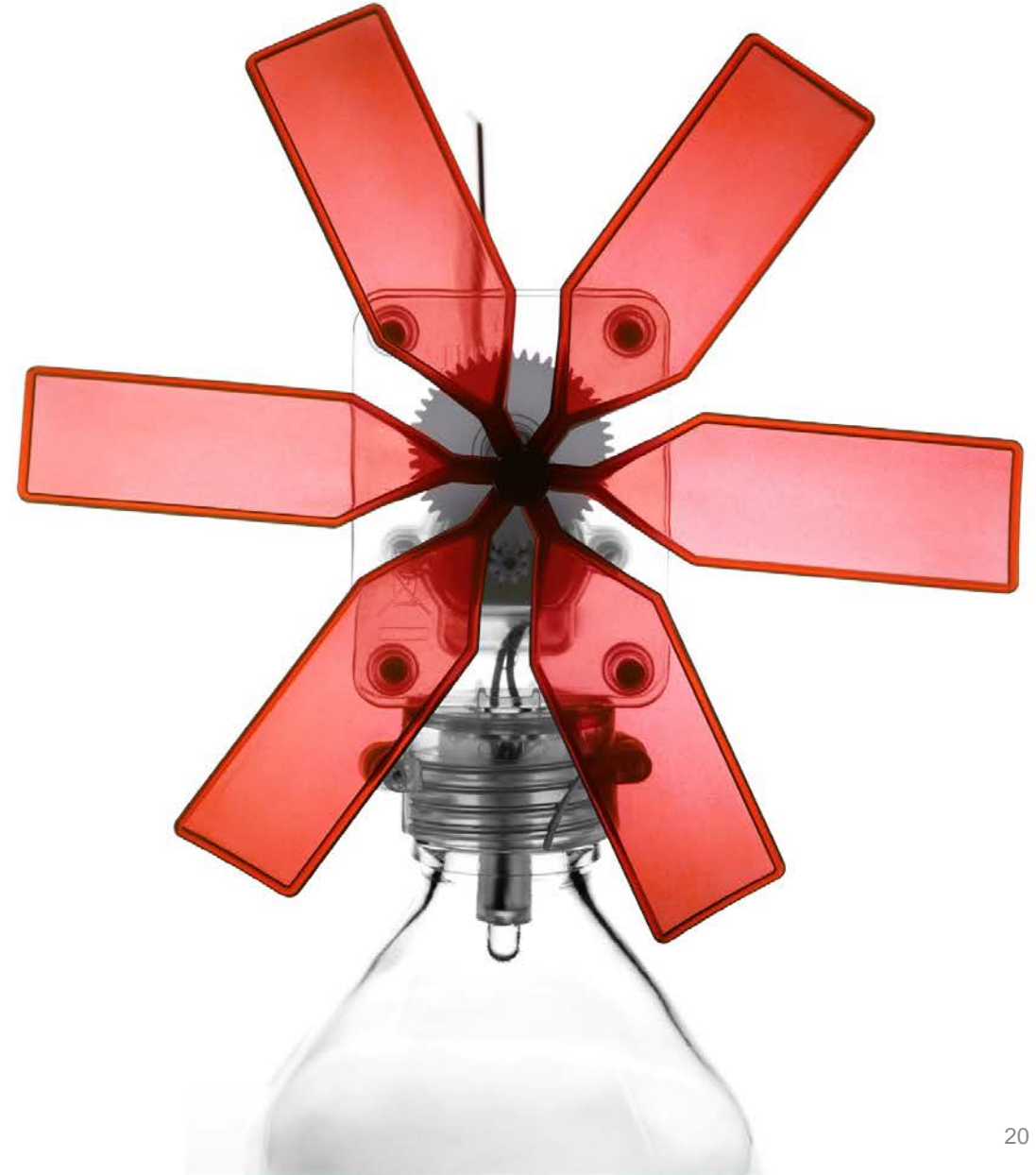
Imbedded policy compliance and budget guideline **data validation** during budget entry

Controlled budgeting process across the company and individual Cost Center owners

Top-down planning and **forecasting capabilities**

What-If modelling capabilities based on policy changes

Category dashboard reporting and analytics to support budget analysis and negotiation of spend levers and internal benchmarking

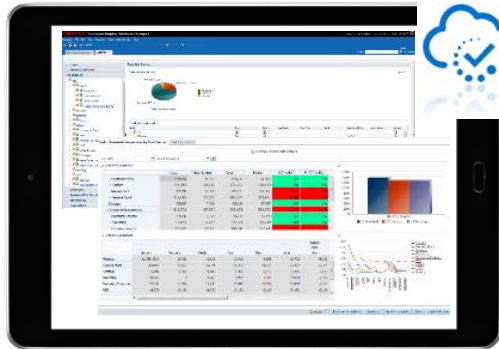


WHY ACCENTURE - UNMATCHED EXPERIENCE



Pre-configured Solutions

Enabling sustainable cost management capability



Oracle Planning and Budgeting Cloud

Oracle Analytics Cloud



Unmatched experience

Right skills and experience to partner with on the ZBB journey

1200

experienced ZBB practitioners

\$400B

dollars of spend data analyzed

\$130B

of lines of Data Analyzed

\$80B

of Cost Brought to Clients Bottom or Reinvested to Fuel Growth

150

Cost Categories Addressed



Playbooks and assets

To support and speed up the delivery of ZBB projects

500+

ZBB Assets



ZBB Category Playbooks



Global bench-marking capability

Enabled by patented tools, powered by analytics, artificial intelligence & machine learning

10,000+

cross-industry benchmarks

AGENDA

1	Closed Loop & Zero-based Budgeting
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3	Q&A

Polling Question #3

- Which obstacles do you think prevent your organization from implementing zero-based budgeting?
 - Too much manual effort, too much data to manage
 - Cultural barriers, too difficult from a change management perspective
 - We don't have the time to implement a big program like this
 - Other



Typical ZBB Challenges

Lack of scalability and performance due to extreme user and expense detail

Poor visibility across the organization

No process or version control

Long time to implement

Difficult to get everyone in line with cost-cutting culture

Go Beyond Cost-Cutting with a Holistic View

Position your organization for ZBB success

What if your ZBB initiative could...

- Provide an end-to-end view of what drives business value?
- Drive smarter investment decisions?
- Foster a culture of accountability?
- Enable broad participation across the organization?
- Deliver a single version of the truth across all functions?
- Provide full visibility into drivers of costs and profitability?

Beyond Budgeting with the New ZBB

Oracle EPM Cloud

Invest for Profitable Growth



with strategic modeling and agile forecasts

Achieve End-to-End Transparency



with deep insight into drivers of costs and profitability

Enable Connected Processes at Scale



with consistent data and models that scale to all LOBs



Invest for Profitable Growth

- Move beyond cost controls to reinvest savings intelligently with strategic modeling and agile forecasting
- Statistical and driver based financial models created and owned by business managers
- Real-time reporting and analytics to enable ongoing visibility and effective controls

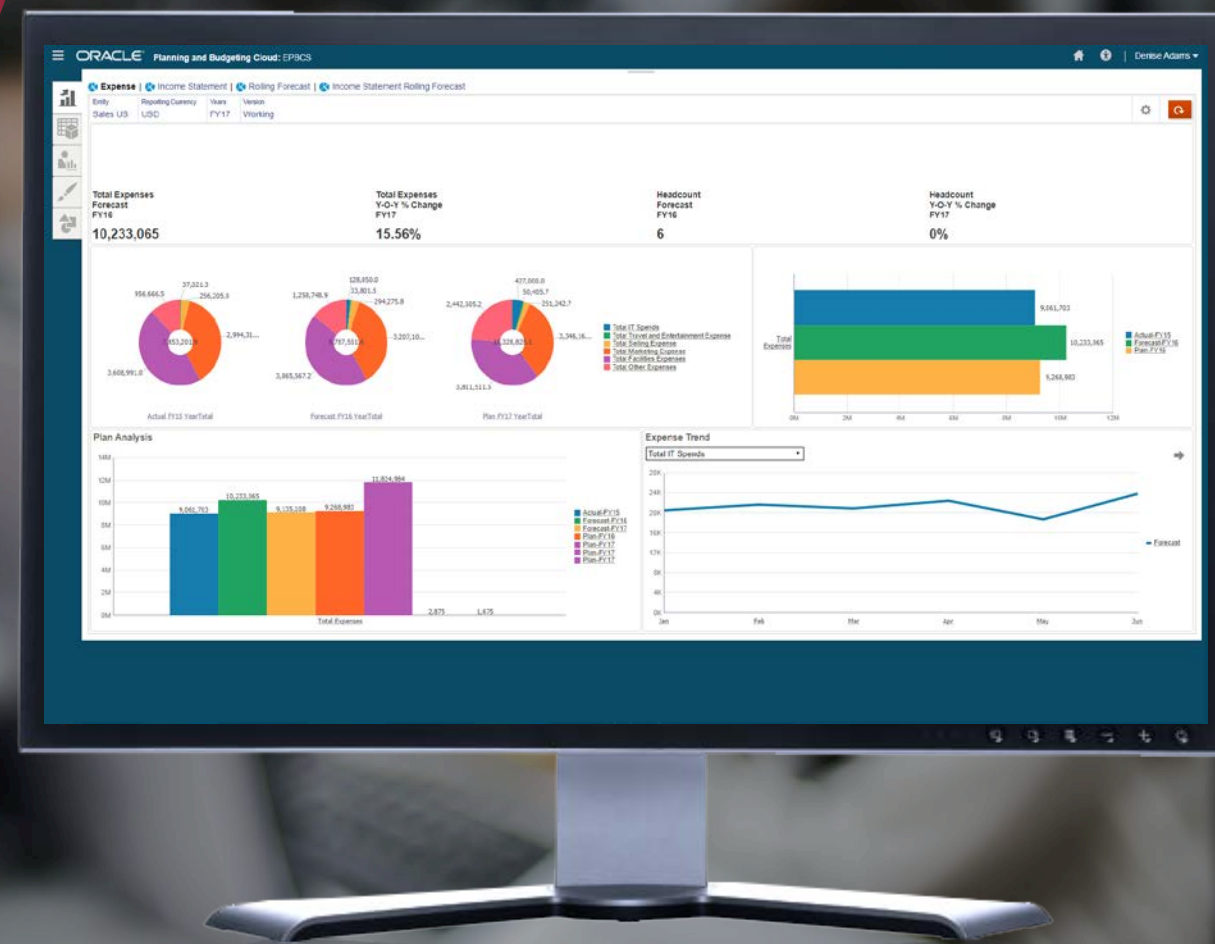
Scenario
Upside Case

	A	B	C	D	E	F	G	H
1	Indirect Cash Flow							
2	Scenario: Upside Case							
3	Millions of Dollars							
4								
5								
6			2015	2016	2017	2018	2019	2020
7								
8	v1750	Net Income	72.56	45.71	12.66	13.66	8.35	19.65
9								
10	Plus:							
11	v2190.01	Depreciation Expense (Funds)	55.10	48.22	93.22	126.22	149.82	154.40
12	v2400.03	Amortization of Goodwill	6.40	6.00	6.00	6.00	6.00	6.00
17	v2410.03	Amortization of Other Intangibles	1.20	1.20	1.20	0.90	0.00	0.00
20	v1420	Total Interest Expense	22.15	41.33	33.73	37.24	34.09	37.16
21	v1690	Total Taxes	23.40	93.34	11.93	12.57	9.17	16.40
24								
25	Less:							
27	v3225	Non-Operating Profit	36.30	45.52	56.42	81.75	74.26	78.07
28	v1170	Gain on Sale of Assets	7.30	0.00	0.00	0.00	0.00	0.00
30	v1730	Extraordinary Items (Net of Tax)	0.00	125.00	0.00	0.00	0.00	0.00
31	v3280	Total Taxes on Operations	12.50	73.33	3.76	23.53	1.75	(22.30)
32	v4060	Funds from Operations After Tax	124.70	(8.05)	98.56	91.30	131.42	177.84



Achieve End-to-End Transparency

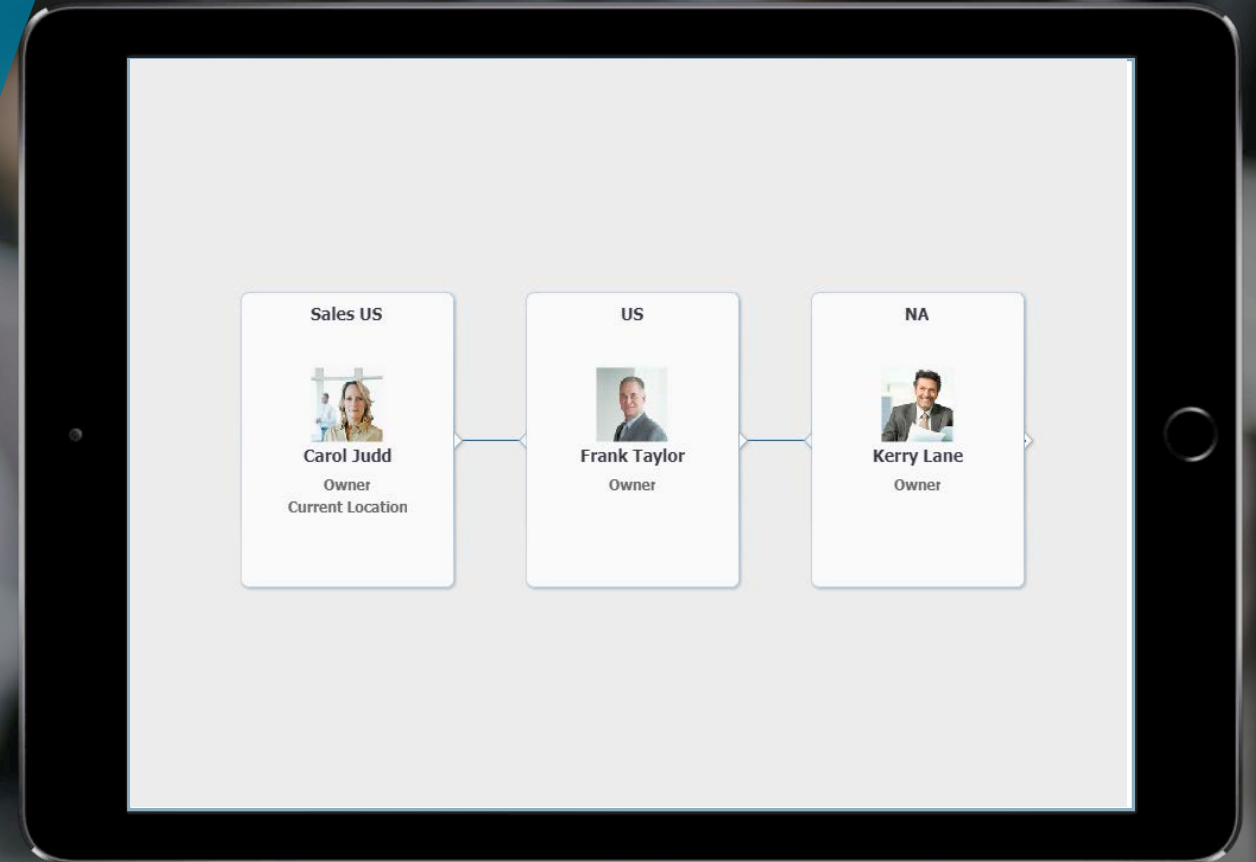
- **Deep insight into drivers of costs and profitability** across all aspects of business
- **Narrative reporting** that combines system-of-record data with full context for fact-based decisions at every level
- **Drill through capabilities** for granular traceability into source data





Enable Connected Processes at Scale

- **Single version of truth** with consistent data and planning models in a centralized solution to ensure validation and controls
- **Granular and configurable workflow** to manage matrix structured budget approvals and compliance
- **Extreme scalability** to support participation of users across all lines of business (i.e. marketing, product development, supply chain, etc.)



“We needed robust functionality and a trusted track record. Oracle Planning and Budgeting Cloud Service was significantly more cost-effective and feature-rich than the solutions we evaluated from Anaplan and SAP, and it was the only option to meet our accelerated timeline.”

Julian Sherwin, Head of Zero Based Budgeting, The Kraft Heinz Company

The Kraft Heinz logo, featuring the word "Kraft" in blue and "Heinz" in red script.

ORACLE EPM CLOUD

KRAFT HEINZ IMPROVES MARGINS AND PLANNING ACCURACY

- Deployed to 1500 users across 40 Countries in 4 months
- Reduced IT management costs nearly 5x
- Gained budgeting and planning process scalability as the company continues to grow

[Link](#) to case study

5X
IT COST SAVINGS
WITH CLOUD

The Oracle logo in white text on a red background.

“Global snack food powerhouse turns cost management into competitive advantage

ZBB CREATES A SIMPLER, LEANER, & MORE NIMBLE ORGANIZATION

Global Consumer Goods Company

ORACLE EPM CLOUD

- **\$350M savings** in year 1, **\$1B savings** over 3 years
- One **standard global process** across all regions / countries
- **Driver based** planning and forecasting models to enable visibility to assumptions
- Shift Overhead **accountability** and focus from P&L owners **to Cost Center owners**
- **1,500** global non-finance users

\$1B
SAVINGS OVER 3
YEARS

Polling Question #4

- What value does zero based budgeting provide the organization?
 - Accuracy of budget
 - Transparency of spend and alignment with leadership
 - Improved accountability and mindset of treating company fund as your own
 - All of the above

Q&A

Next Steps

Supercharge your ZBB initiative

- Read [Why Finance Is In Love Again with Zero-Based Budgeting](#)
- Read [3 Best Practices for Successful Zero-Based Budgeting](#)
- Read [How Oracle Helps Clients Succeed at Zero-Based Budgeting](#)
- View the [Zero-Based Budgeting Solution](#) on Oracle Cloud Marketplace
- Give us an hour to show you the possibilities



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