



Middle East CFO Reflections

Zero-based Budgeting – the way of the past or the way forward?

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The **CFO** Program

Dear CFOs and Finance Leaders,

We welcome you to the second edition of the ME Quarterly CFO Reflections newsletter. In each newsletter, we will focus on a top of mind topic for CFO's, share our views as well as related articles and videos.

The simultaneous focus on cost and growth reflects a "save to grow" mind-set where companies use cost savings as a strategic lever to help fund their growth efforts and initiatives—without sacrificing profitability.

Planning, budgeting and forecasting is a powerful tool CFOs can leverage in pursuing this core objective. The good news for zero-based budgeting is that it appears to be moderately more successful at meeting the cost targets than other budgeting techniques, even if more time consuming. However, there are two particular challenges that need to be overcome to result in a successful budgeting approach. The first is a weak/unclear business case as to why there is budget being allocated to a project/area in place and the second is poorly designed tracking and reporting of budget to actuals to measure ROI.

When it comes to determining where to allocate money, effective companies sidestep budgeting arguments by choosing among three basic planning techniques:

1. **Driver-based planning**—Takes into consideration internal and external factors influencing business and is often used in regard to spending decisions on business operations (e.g., cost of goods and services).
2. **Choice-based planning**—Considers the expected return on investments and is often used with regard to investments and discretionary spending (e.g., capital, research and development, information technology projects).
3. **Spend-based planning**—Requires the percentage of overall budget or other point of reference and is often used in spending decisions pertaining to corporate functions (e.g., finance, human resources, legal).

A key takeaway is that while zero-based budgeting use seems to be fading globally, some companies might still find it useful—particularly if they are currently in need of a more structured approach to cost management.

Reflections+

Click on the titles below to read the top selected articles and view the videos related to Zero-based Budgeting.

	
A digital approach to Zero-based Budgeting	Zero-based budgeting usage and trends
	
Can a Digital Approach Breathe New Life Into Zero-based Budgeting?	Cost management in the age of digital disruption

Kind regards,



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Middle East
Point of View

Middle East
matters

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