



ZERO-BASED BUDGETING

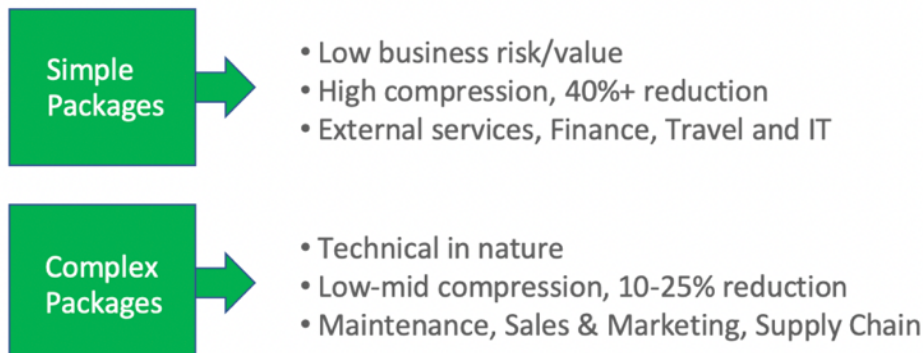
Zero Based Budgeting is an effective way to create organizational value and an ownership culture. The process includes justifying all spending, based upon company goals and needs starting at \$0, rather than based upon historical spend.

ZBB is a budgeting methodology, management mode, cultural approach, process/tools designated to reduce costs by building budgets from \$0 on an annual basis.

4 Principles of Zero Based Budgeting :

- (1) Top Leadership commitment and involvement ... at a retail client, the CFO, CEO, or country President attended every ZBB workshop (where budgets were created & reviewed). In addition, **the leaders role modeled the desired behavior** and decided to relocate the corporate HQ building to a lower cost venue, saving \$10M+.
- (2) Regularly communicate the organizational rationale and benefit for the employees ... at a building materials client, **an additional incentive was created for all “ZBB players”** valued at up to 2x original bonus and recognition at quarterly management meetings.
- (3) Dual ownership of the budgets to ensure results without “gaming” ... at another client, the Steering Committee debated/agreed upon the “right” package owner, assigning good leaders to simple packages (e.g., travel) and good leaders with technical expertise to complex packages (e.g., maintenance). Together, **the budget and package owners developed the final budget** (and were measured on the results).
- (4) Involvement of the people creating a budget to ensure ownership ... a maintenance manager at a building materials client said **“I liked having input because I know the equipment; no one else knows our trucks. In the past I’ve been given a number and told to make it work. In maintenance, some costs like engine replacements don’t follow the fiscal calendar year. ZBB helped finance and others understand my cycles”**.

To **get started with Zero Based Budgeting**, all historical costs are mapped to ~15 defined “cost packages” to determine the baseline and measure results. Many companies use the savings to reinvest and grow the company.



Example 1: Fees/External Services (Simple Package) Employee Uniforms
 \$1M in uniform costs/year by using 1 standard uniform (not multiple custom uniforms for different divisions). Additional savings came from this supplier for better pricing on safety shoes.

Example 2: Maintenance (Complex Package) Trucks & Equipment
 \$4M in maintenance costs/year by allocating available trucks to forecasted volume (and not spending maintenance costs on unneeded trucks); another \$2M in reduced tax and insurance costs for these unneeded trucks; \$500K in maintenance costs (for unneeded plant equipment).

**Sales Up
200%**

Capacity Success Story:

Clapham Consulting supported an organizational turn-around for a US manufacturer that resulted in:

2X Capacity: Determined the bottleneck operations and the actions to improve the OEE (overall equipment effectiveness). Developed a 3C boards (concern, cause, countermeasure) to track progress. Capacity up 50% in the first 3 weeks.

Sales Increase: Gathered customer feedback/conducted market research to identify opportunities (i.e., existing customer improvements, new customer segments). Client successfully penetrated a new market in the first year.

Client Feedback: **“Susan takes a top strategic view of the business and then identifies the key areas to focus on that drive the strategy; she gets real time results. Susan has fantastic style/presence that allows her to build trust and she has an incredible network of people”.**

The Clapham Consulting Difference



- **Results:** Substantial and lasting improvement; we measure and deliver our results.
- **Experienced Consultants:** Our consultants have 15+ years of industry and consulting experience. We are hands-on, pragmatic, and fact-based.
- **Long-standing Clients:** We have an 80+% retention rate; our clients engage us for multiple years.

Clapham Consulting Inc.



Clapham Consulting delivers results. Recently, we scored 96% on our client survey for overall value, impact, and effectiveness of our work.

Clapham Consulting provides **LOTS** of expertise/services:

- **Leadership:** Increase the leadership capabilities and team effectiveness through customized leadership programs and coaching
- **Operations/Finance:** Increase capacity or efficiency. Free up working capital, reduce costs, improve customer satisfaction
- **Transaction support:** Support the due-diligence of an acquisition, prepare for/manage the integration to capture "value"
- **Strategy or Big Decisions:** Define the strategic goals/vision and define/manage the initiatives to achieve them. Answer any "big decisions"