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Regaining Your Competitive Edge

Corporates need to adapt to rapidly changing markets. **Naomi Hudson** of Accenture Strategy talks to **Marc Barber** about why adopting a Zero-Based Mindset can help CEOs and senior leaders find a way to invest in creating organisations that are genuinely competitive and agile



Many CEOs and Boards of large organisations understand that their traditional, core business needs to change dramatically. The onus is on them to develop a strategy which delivers results to key stakeholders in the short to medium term, while simultaneously allowing for investment in the future.

It's a difficult balancing act. Not least in terms of making savings and then deploying capital to invest in the kind of growth that will provide a competitive edge over the longer-term. It's one of the reasons why more leadership teams are looking at the benefits of a Zero-Based Mindset, or ZBx for short.

Naomi Hudson, UKI Products Lead for Accenture Strategy, talks to Criticaleye about why ZBx can be seen as an evolution from ZBB, and the positive impact it's having on organisations that are serious about implementing progressive change.

How does ZBx enable a company to be more proactive in how it invests in growth?

It allows companies to free up cash for initiatives that dictate their future success, such as revenue growth, improved profit margins, sustainability initiatives and more.

If companies employ ZBx strategically and create a culture of ownership and cost control from the top down, they will find they aren't regularly making sacrifices, but are instead investing in the health of the business. It's something that benefits stakeholders, investors, and employees.

“Once it's been adopted, the results speak for themselves – 91 percent have met or exceeded their targets using ZBx”

What an organisation must do is align the ZBx reinvestment priorities to the corporate strategy. In simple terms, you are identifying unnecessary cost within parts of the business and deciding how much to reinvest back into growth.

For example, a large commercial bank was lagging behind its peers in both profitability and digitisation. The bank's digital ambition required a multibillion-dollar investment and so the leadership team turned to [ZBx] to unlock funds for its digital transformation and growth, while also improving the cost-to-income ratio.

Similarly, Unilever a company that I have been personally working with over the last 4 years, has had great success with this approach, saving over €2 billion, much of it in brand marketing, with two-thirds being reinvested.

What are the core areas to focus on when considering this approach to cost and investment?

We see four main types or flavours of ZBx. The majority of companies that use it undertake Zero-Based Spend, which is general and administrative overheads such as facilities, travel, IT and so on. Just over half apply it to Commercial, which includes pricing, customer services and sales and marketing expenditure.

The other key area is Organisation, which enables businesses to really reflect on both direct and indirect labour cost, payroll, headcount and the talent required to drive growth. Finally, applying ZBx to your Supply Chain can provide a real shift in how you think about your core operations and the cost of delivery.

It's not unusual to see a corporate start with one aspect of ZB and then roll it out across the whole P&L. Once it's been adopted, the results speak for themselves – 91 percent have met or exceeded their targets using ZBx.

What skills do you need within the finance function to reap its benefits?

Let's bust a myth – this isn't a finance problem and finance shouldn't lead in these programmes or be the sole guardian to make it sustainable. It must be business wide and CEO and C-suite led. The CFO cannot be the lone voice.

What's required is complete transparency about cost across the entire organisation. In this context, challenge has to become acceptable and seen as the norm. Directors and >



Vice Presidents need to understand that this approach demands an objective assessment of cost and value. The same questions will be asked: “What value did the spend bring to our company?; ‘Can you prove the value?; and: ‘Is that the best use of our company’s money?’”

Finance can play a strong role in transparency, and obviously in the control and monitoring of actuals vs budget, together with the tracking of operational KPIs, but the tension and challenge in the system must be wide and compelling.

[In research conducted by Accenture Strategy, only 17 percent of CFOs believe their company is properly organised to optimise working money. Why do you think that figure is so low?](#)

Many organisations aren’t set up to go into that level of detail and granularity. To really answer the optimisation question, a CFO would have to understand and compare every cost, line item, BAU spend and project.

They would have to ask: “What value does this spend provide in return to the company” and “If I, and my fellow C-suite members, deployed it differently and somewhere else, what additional value could it bring?”

Traditional budgeting is normally done in silos, by function, market and division, with a typical plus or minus percent attached each year. In short, they generally lack the tools or techniques to make trade-off decisions across the whole company, whereas ZBx supports a holistic approach.

“ ZB strategies are not a silver bullet or a quick fix, so senior leadership teams need to be in it for the medium to long term ”

What are the biggest barriers to deploying ZBx successfully?

Our [research](#) shows that the biggest obstacles are cultural buy-in (67 percent), change management (41 percent) and data visibility (33 percent). I spend an awful lot of time with the C-suite and sponsors on their readiness for this and how it meshes with their existing priorities and culture, and what particular flavour they want to give it.

Firstly, ZB strategies are not a silver bullet or a quick fix, so senior leadership teams need to be in it for the medium to long term. It invariably goes beyond financial or operational transformation – it is often a deep cultural shift that requires new mindsets and behaviours, firstly among executives and then the broader organisation.

Strong collective leadership from the top is essential. CEOs, CFOs, COOs, HRDs and CMOs, need to demonstrate to all employees what personal actions they have taken – they must walk the talk. This entails being cost-conscious in their conversations and being prepared, as a collective, to break down institutional silos. They must adopt a true portfolio-management view of the business.

The next shift lies in creating a more entrepreneurial, or owner mindset, where employees manage spend as if it were their own. This generally requires new tools, processes and even new incentive models.

Shifts such as these require broad communication and change management. ■

To find out more about ZBx, [click here](#), or see [The Big Zero](#)



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Naomi is the UKI Products Lead for Accenture Strategy. She works with the firm's FTSE CFO clients across their wide agenda, both to improve the effectiveness and efficiency of the Finance Function and to drive Operating Margin improvement across the business. She has over 18 years' consulting experience and has led on the client side in the last 5 years, so understands the practical and cultural challenges needed to make change stick.

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