

# WHAT EVERY BUSINESS NEEDS TO KNOW ABOUT **INTEGRATED BUSINESS PLANNING**

Aligning strategic, financial and operational planning for improved visibility, performance and decision-making



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## INTRODUCTION

Conventional approaches to business planning are no longer flexible, or advanced enough, to respond to the rapidly changing business environment. Increased data complexity, digital advances and an increasingly global marketplace make it challenging to plan ahead with accuracy, or consider all variables when making decisions.

In this fast-changing world, long-term planning is often neglected. Business plans end up disconnected from the day-to-day reality of an enterprise. The planning process becomes an exercise in playing catch up rather than a path to desired results.

A recent survey by business planning consulting firm Oliver Wight, revealed that most enterprises fail to plan more than a year in advance. A surprising ten per cent of respondents admitted they had no formal planning processes in place.

At the core of the issue is this: many organisations have a profound disconnect between their financial plans and the operations of their business. Too often, business plans do not reflect what is happening on the ground, and organisations cannot respond quickly to changing market conditions. Traditional sales and operations planning processes are somewhat effective, but fall short because they cannot provide visibility across all the moving parts.

More than ever, high performing enterprises must set their direction with a purposeful, all-in-one business planning approach. This approach should focus on a common target that management and staff can get behind.

Integrated business planning (IBP) is an established methodology that addresses one of the most common shortfalls in sales and operations planning: linking strategic plans to operational plans to financial performance management.

This white paper will define IBP, explore its benefits, and examine available technology solutions to support integrated business planning processes.



## What is integrated business planning

According to Oliver Wight, integrated business planning is a common sense process that supports effective enterprise decision-making.<sup>i</sup>



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Unlike traditional sales and operations planning (S&OP), which aligns demand and supply, IBP brings together all of an organisation's critical functions (i.e. supply chain, sales, marketing, research and development, logistics, finance, human resources and IT) into a single overarching plan. In doing so, IBP eliminates silos to provide a complete and holistic view of current and future performance.

By helping senior management to plan and manage the business over the medium to long-term (usually 24 to 36 months), IBP provides a highly strategic perspective. When done right, it empowers decision-makers to take all operations into consideration when planning for the future.

As a result, enterprises are better placed to:

- Align strategic and operational plans
- Allocate resources to satisfy customers in the most profitable way
- Predict and respond to changing market conditions
- Improve operational transparency
- Give senior managers greater control over the business
- Identify potential gaps in business performance.

## Who should use integrated business planning?

Integrated business planning has been forged by large organisations, typically with global and complex supply chain complexity. It has forged competitive differentiation in the likes of L'Oréal, Mondelez, Pfizer, and Castrol improving the alignment of planning and finance across their multifaceted businesses and applications.

Like every good discipline an IBP approach provides direction for the rest of the market. Indeed, smaller organisations have all the typical concerns IBP address. The signs are there - Finance leverage separate regimes in long unloved cycles of budgeting and Sales and Operations address their needs often in a siloed way, and never the twain shall meet. Demand and supply rock volatily back and forth, Inventory sits like a patient in triage, and integration and reconciliation are so burdensome that they add little value. That's not to say improvements don't occur in these organisations but they lack the framework of thinking that IBP provides.

Typically, the gap is the enabling technology that can effectively integrate all these perspectives into a holistic framework. When they do, the benefits are transformational.

IBP enabling technology, due to the ability to collate data from heavily modular systems, offers particular value for enterprises with a traditional operational focus. For example, retail, manufacturing, logistics. To ring fence IBP though is to miss its wider relevance. IBP provides approaches and learns that apply to all sectors.

Those outside these traditional industries, for example, providing services, program delivery, infrastructure services, etc., still fundamentally balance supply and demand. They also have a burning pyre and a big divide between its finance and operational capabilities.

## What makes integrated business planning unique?

IBP is often confused for other planning methodologies like S&OP and short-term planning. When running correctly IBP stands out for the following reasons:

- The entire senior management team is involved in the planning process
- Integrated business planning reviews are conducted monthly
- Planning takes place on a rolling 24 to 36 month horizon
- Senior management uses scenarios and predictive modeling to respond to problems
- Senior management has visibility across strategic, financial and operational plans
- IBP software supports the planning process by consolidating data from all critical systems in a single view.



## Why integrated business planning works

Organisations that follow IBP best practices experience both operational and financial benefits. These include simplified planning, smarter communications and improved financial performance.

### 1. Improved financial performance

While implementing IBP means investing in new technologies and processes, studies show the financial gains are worth the cost. According to Oliver Wight, the majority of enterprises using IBP report increased sales revenue.<sup>ii</sup> Aberdeen Group research also suggests that businesses following integrated sales and operational and financial planning methodology, such as IBP, outperform others by an average gross margin of 20 per cent.

### 2. More efficient senior management communications

IBP makes it easier for executives to anticipate and quickly respond to change. With all relevant information at their fingertips, executives report improved communication and planning transparency.

### 3. Simplified annual planning

IBP can turn an organisation's annual planning process into a non-event. By aligning the strategic and operational plans of individual business functions on a monthly (rather than annual) basis, enterprises have a starting point for the next financial year.

By the fourth quarter of the current financial year, an IBP business plan for the following financial year will have been seen nine times. This familiarity removes much of the guesswork, cutting costs, eliminating stress and reducing the burden on finance teams.

### 4. Greater insight into market and customer demand

Innovation is key to maintaining competitiveness in a fast-paced business environment. However, doing so requires control, flexibility and visibility over all business functions. With a 24 to 36 month rolling horizon, IBP unlocks a holistic view of the market and customer demand. Senior management can anticipate long-term trends with greater accuracy, providing guidance for product, demand and supply teams to come up with new innovations.

### 5. More accurate financial numbers

A best practice IBP planning process includes operational and financial numbers. The financial numbers are driven by the operational numbers, not the other way around. This gives finance managers more credible data for financial analysis.

### 6. Bridging the divide

Arguably, bridging the finance and operations divide, and sharing values, numbers and systems has a cultural dimension. Ultimately it's about people delivering on a shared mission. This is transformational. Common frameworks, alignment, repeatable effective processes and decision support can be a competitive differentiator.



*Companies wedded to traditional annual planning and budgeting processes face significant risk of "losing" in the increasingly dynamic global market place. Execution using plans that are based on obsolete assumptions and with inadequate detail to drive optimum operational results is an exercise in futility.*

*Company leaders need to stop relying on the traditional annual planning and budgeting processes and, instead, embrace Integrated Business Planning to successfully manage the frenetic pace of change. The dynamism of today's business environment demands leadership and management processes that are more adaptive, credible, actionable - and ultimately more successful.<sup>iii</sup>*

George Palmatier, Oliver Wight Americas



## Process meets technology

The first step in moving to IBP is to establish strong organisational and cultural processes. Long-term viability hinges on buy-in from senior managers, as well as on their willingness to collaborate on planning.

The next step is to implement a technology solution that supports IBP. At this stage advice might be to look for a corporate performance management (CPM) platform. The warning with this is that “CPM speak” immediately offends the operational stakeholders. The word “corporate” points to certain conventional technologies which leave other IBP necessary considerations as parallel silos.

If you do select a CPM product it must be proven across the operational and strategic use cases and it must appeal to your broad audience. Many vendors claim their products are IBP-friendly. Some though are not sophisticated or advanced enough to do so. At a minimum, an IBP supporting technology should be able to:

- Model future performance based on multiple scenarios in real-time, top down and bottom up
- Integrate with an organisation’s key applications and systems, including S&OP, demand, supply chain management, HR, finance, marketing and IT
- Integrate people, process and data across the wider value chain
- Provide senior managers and other relevant stakeholders complete visibility over performance, plans and forecasts
- Provide process managers and other relevant stakeholders complete visibility over IBP process performance and tracking
- Support collaboration, i.e. through business cases, commentary, notation, workflows, alerts and task tracking
- Provide integrated context driven business intelligence decision support and analytics
- Meet the many users experience needs in a common integrated logical platform; driving adoption, acceptance, and a return on investment for the user
- Potentially bridge functional gaps in key applications; for, example, demand planning, or financial budgeting, as opposed to requiring other investments as sources for IBP
- Minimise risk and reliance on office tools such as spreadsheets
- Support technology decision of a business, on premise, cloud and mobility
- Not be tied exclusively to any single core system; but work across systems as they come and go in a complex environment.

## Why not spreadsheets?

Why the reference to minimising spreadsheets? This is often seen as the planner’s friend and the finance professional’s friend. Typically, both communities rely on it but it is not a shared friend; these are disparate use cases. The demand forecast, the financial budget template, etc. They share no commonality and awareness of the other. Spreadsheets also often provide the mechanism to provide handoffs between teams as data is passed along in a process such as IBP. It seems so easy for each team not to see this as a problem. The overall impact is to add latency, breakpoints, risk, integrity issues to a process. It even limits decision support and collaboration.

In Professional Advantage’s experience the biggest transformations and ROIs have come from eliminating spreadsheets from these processes. Spreadsheets definitely have a place in a business but not here without a cost. It was interesting, at the June 2016 IBP Summit in Sydney, the informal ‘tool talk’ speaker (at the functional role level) spoke about Excel as their ‘best friend’. The speaker’s case studies from those that have delivered on their IBP warned of it and talked about enabling IBP with fit for purpose technology.

Indeed, the challenge for anyone wanting transformative change is to get these functions to acknowledge this elephant in the room.

## I have applications?

Organisations naturally have in place applications servicing the discrete areas that IBP is dependent on. These will be at various stages of maturity. Indeed, investments may still be necessary.

Often I hear the comment “I have a demand planning application”, or “we do budgeting in this software”. Firstly, these assets can remain part of the IBP landscape but they are often not capable of scaling to meet the wider IBP requirement. Many enterprise resource planning (ERP) applications or modules operate within the planning time fence. They don’t have the flexibility to model scenarios beyond lead times, do top down simulations over longer terms to assess vulnerabilities and opportunities (over possible new products and services), and financialise the results. Nor can many handle the cross functional process and collaborative requirements.



## Why act now?

With enterprises increasingly investing in core financial processes, it makes sense for planning and forecasting processes to receive similar attention.

Aberdeen Group research shows that 30 per cent of organisations can only predict costs to within 20 per cent of the budget and anticipate revenue within 22 per cent of the budget.<sup>iv</sup> The need for integrated planning processes that bring together finance and operations is glaringly evident. While enterprises that cannot align their financial and operational plans are at a considerable disadvantage, the rewards for getting it right are high. Aberdeen Group research also shows that top performing businesses deliver budgets two weeks faster than average, and have more time to spend on analysis, because they are freed up from tedious data gathering.<sup>v</sup>

## The Professional Advantage difference

Professional Advantage helps businesses build high performing workplaces. With over 1000 clients in Australia and overseas, our proven, best-of-breed business technologies support enterprises to improve efficiency, plan for change, manage growth and perform better.

We handpick experienced and talented consultants with a demonstrated commitment to client outcomes. As a result, our teams offer a rare combination of broad application skills, real-world knowledge and a creative approach to solving costly business headaches.

Professional Advantage’s solution portfolio spans enterprise resource planning, business intelligence, enterprise and corporate performance management, financials, client relationship management, intranets, cloud technology and business process management.

## Professional Advantage can help you select and implement the right platform

Professional Advantage has proven, enterprise-grade, software products with a strong history of integrated business planning success and can report, analyse, simulate, scorecard, dashboard, plan, budget, forecast and model.

Professional Advantage also provides pure play BI technologies. These tools are often existing assets serving a silo within a business. Repurposed as an enterprise platform, they may have a place in any future strategy.



### LET’S TALK

We have a simple goal: to be the partner of choice for enterprises that want to use smart technology solutions to drive performance.

Does this sound like your business?  
Let’s talk.



#### Reference:

- <sup>i</sup> *Integrated Business Planning Survey, Oliver Wight, 2015*
- <sup>ii</sup> *The Transition from Sales and Operations Planning to Integrated Business Planning, Oliver Wight, 0000*
- <sup>iii</sup> *Why Annual Planning Should Be a Significant Non-Event, George Palmatier, 2014*
- <sup>iv</sup> *Financial Planning, Budgeting, and Forecasting, Nick Castellina, Aberdeen Group, 2013*
- <sup>v</sup> *Financial Planning, Budgeting, and Forecasting, Nick Castellina, Aberdeen Group, 2013*





## Enabling *High Performance* Workplaces

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### ABOUT PROFESSIONAL ADVANTAGE

Professional Advantage is one of Australia's most awarded solutions providers, with over 20 years experience in helping organisations improve their business systems through industry leading software solutions. Our 250-strong team in 6 offices across Australia and internationally has successfully worked with over 1000 organisations.

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