



INTEGRATED BUSINESS PLANNING: ENABLING RESILIENCE WITH PREDICTABLE BUSINESS OUTCOMES

Abstract

During these times of unprecedented disruption, organizations need accurate information to drive the right decisions about business plans and forecasting. Over the years, integrated business planning has evolved thanks to new technologies that support next-gen capabilities across sales, supply chain, demand planning, marketing, finance, and more. This paper defines the integrated business planning process and critical capabilities for a successful IBP process. It also provides a roadmap for organizations to implement IBP.

Introduction

In this era of increased uncertainty, unprecedented business disruption, sluggish growth, shorter product lifecycles, and fluctuating customer tastes, most companies are under tremendous pressure to predict demand for their products and, more importantly, execute sales orders effectively. Traditional planning processes within companies have different functions and often work in silos, leading to poor alignment during execution and lack of trust. This results in ineffective customer service, negative brand image, higher costs, and ultimately poor financial results.

Some companies recognized the need to better integrate disparate planning efforts

into a single organizational planning process, which increased adoption of the sales and operational planning (S&OP) process. The traditional S&OP process aimed at aligning demand with supply and promoting better understanding and collaboration across sales/marketing, operations, finance, and product management. It enabled improvements across important areas such as product availability, markdown expenses, production costs, working capital levels, and inventory holding costs.

S&OP processes have matured in the last few years and companies are beginning to realize that merely balancing demand

with supply is not sufficient to drive improvements in key metrics. Leading organizations are shifting their focus towards integrating financial, strategic and other functional planning processes. They also want to incorporate insights from the entire network of consumers, customers, trading partners, and suppliers. The additional financial and strategic dimension ensures that organizations go beyond traditional S&OP to deliver top and bottom-line targets while operating within the financial objectives. This integrated approach to planning led to the evolution of what is known as the 'integrated business planning' process.

IBP process overview

Integrated business planning (IBP) is a cross-functional and multi-dimensional approach that includes strategy, demand, supply, and financial analysis when developing and deciding on mid-to long-term business plans. It merges strategic and functional plans into an actionable plan for the organization and ensures better execution.

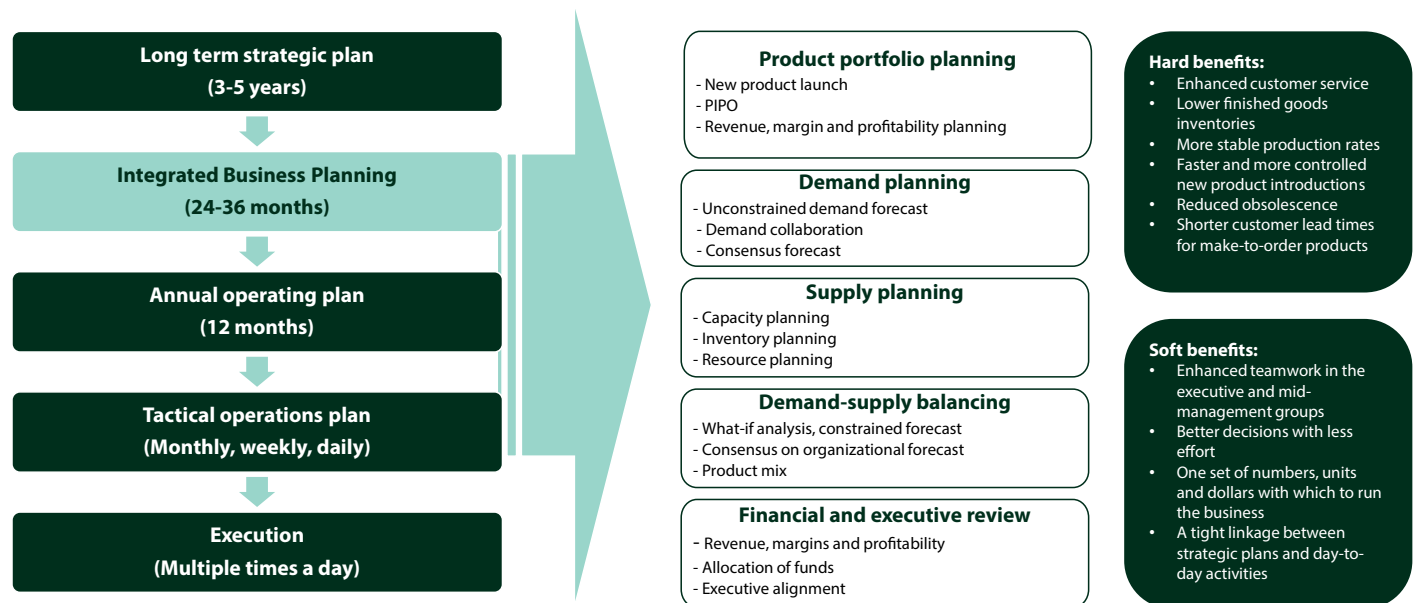


Fig 1: Different planning processes and planning horizons

The IBP planning horizon typically covers medium term planning, which is neither addressed by annual operating planning processes nor long-term strategic plans.

Different planning processes, their horizons and key components of IBP are shown in Fig 1.

Integrated business planning refers to the process of planning, budgeting and forecasting across key functions of sales and marketing, supply chain and finance. It is a decision-making process that considers medium term strategy, brand initiatives, customer plans, financial plans, scenario evaluation, portfolio management, and demand and supply on a minimum time horizon of 18-24 months. When done effectively, integrated business planning

can help organizations fulfil their overall business goals. Another benefit of IBP is that it cultivates a culture of trust, cross-functional collaboration and teamwork across the organization.

IBP has gained popularity over the last few years because it overcomes the shortcomings of traditional S&OP processes, which lack visibility into the strategic and financial objectives of the organization. Often, the decisions made without these

insights conflict with strategic goals of the organization. Take the case of one of our CPG clients where, to match increased demand signals, the supply department would procure items via contract manufacturing, irrespective of the lower margins of these products. By implementing IBP, they were able to perform financial analysis and give stakeholders all the necessary information to decide whether to lower the forecast numbers or to proceed with contract manufacturing.

Difference between traditional S&OP and IBP

Clearly, IBP is the next logical step for any organization that has attained a certain degree of maturity in S&OP. But there remains some ambiguity on how IBP is different from S&OP.

Unlike S&OP, which is mainly focused on balancing supply with demand, IBP provides a holistic view of the business by connecting strategy, finance, marketing, and sales plans, with demand and supply plans. Through IBP, enterprises gain a single and complete plan that addresses corporate performance management, financial planning processes and operational planning systems while alleviating the business risk of siloed functions.

Focus areas	Traditional S&OP	IBP
Business value	Narrow focus on balancing supply with demand	Analyzes revenue and profits. Connects all other key business objectives to balance supply and demand.
Process	Purely supply chain centric	Tight integration and linkage to strategic direction, financial analysis and tactics, and the future portfolio at every step. Marketing, sales and finance have equal importance in the whole process.
Technology	Focuses on APS solutions. Lack of integration with other functions	Integration across multiple modules. Supports what-if scenarios and simulation capabilities
Decision making	Aligns only with volume planning	Executive-led. Aligns with volume, revenue, spend, and margin planning as well as strategic initiatives

Table 1: Differences between traditional S&OP and IBP

Benefits of IBP

Based on Infosys experience working with multiple clients we have observed that organizations who have adopted Integrated Business Planning process have seen significant improvements in revenue, cost and working capital related metrics.



A robust IBP process allows organizations to execute strategic business decisions that increase revenue, market share and profits. It also delivers other significant benefits like improving overall customer service, optimizing inventory levels, shortening order cycles, reducing overtime, streamlining inter-plant transfers, expediting order fulfillment, and improving resource utilization.

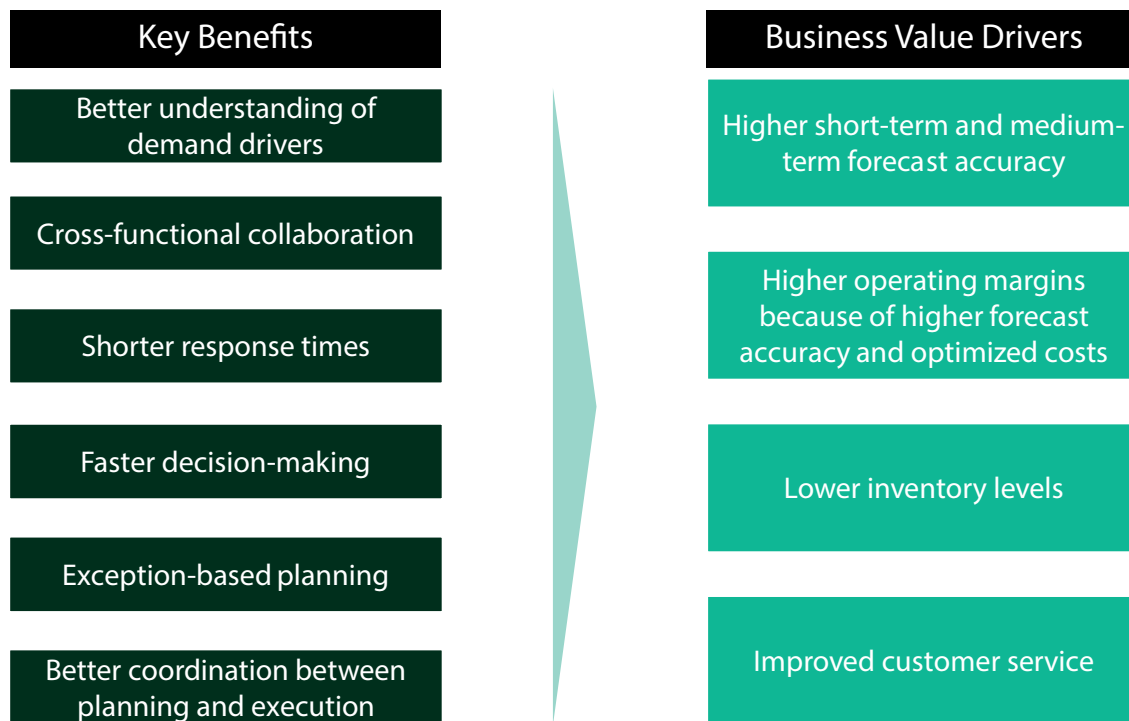


Fig 2: Key benefits of IBP

Infosys industry experience has shown that companies cite many additional benefits thanks to IBP-driven collaboration across different functions. These include:

- Informed, transparent and faster decision-making based on an end-to-end view of the business
- Better resource allocation between competing projects and investments
- Faster plan formulation with fewer resources needed to support the process
- Increased confidence in the execution plan due to joint ownership
- Development of leadership qualities for the participants
- Well-defined accountability

Key capabilities needed to implement a robust IBP process

Given the overarching nature of the integrated business planning process, there is a need to develop many capabilities along the dimensions of people, process and technology.

People

Organizational or functional barriers must be breached to overcome challenges such as:

- Inconsistent involvement of executives in the process
- Lack of clear definition of roles and responsibilities
- People feeling uncomfortable working outside of their functional silo
- Misaligned incentives across different functions, leading to poor outcomes

In our experience, successful IBP implementations must have a formal change management framework that includes:

- Leadership alignment – Assign resources and ensure accountability
- Clarity on roles – Define each job, organizational design, and ownership in every process step
- Skills and tools – Define new ways of working and support all participants with the right processes, tools and behavioral training programs
- Reward and consequences – Establish common goals and align functions to these
- Plan and communication – Develop an implementation plan that is visible and acceptable to all participants. Ensure regular communication throughout the implementation.

Process

IBP is not about supply chain planning but it is a cross-functional five step planning process. The following IBP process model is commonly used in the industry. To ensure everyone knows what is expected of them, it is important to gather the required input and assign an accountable resource across every step.

Overview of Integrated Business Planning Process

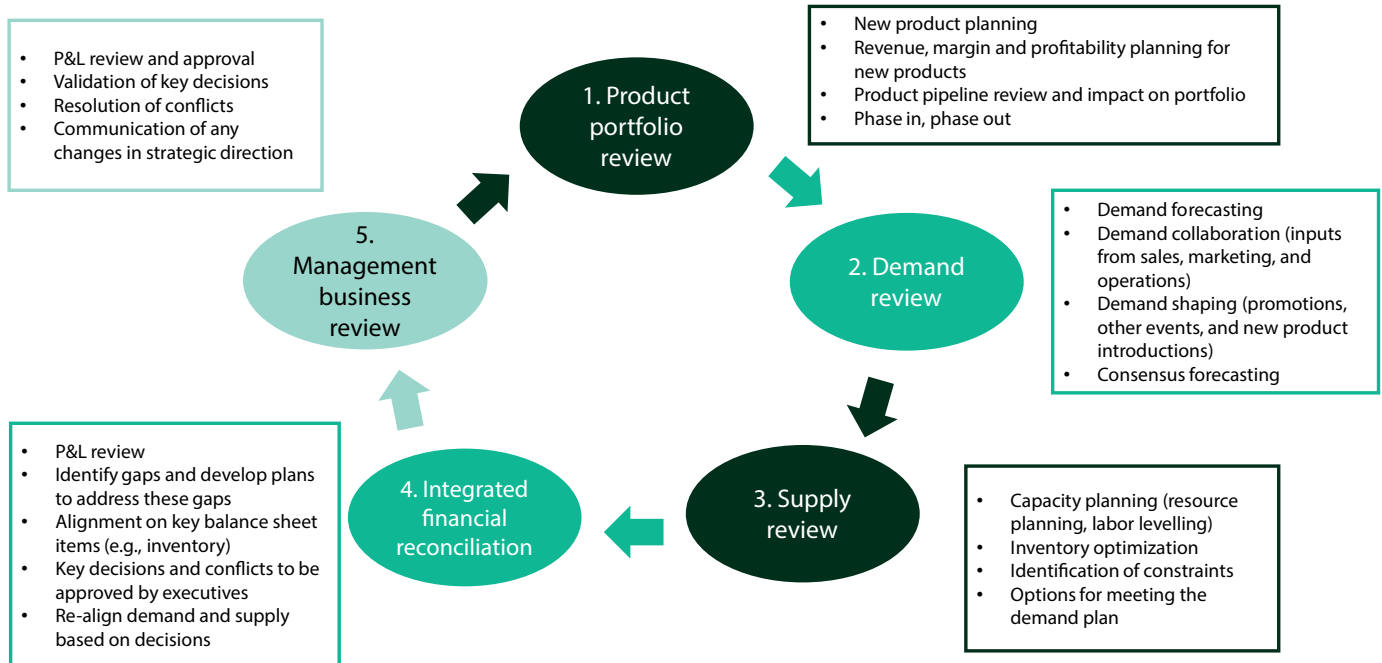


Fig 3: IBP process steps

Infosys recommends the following actions to ramp up the process dimension. These include:

- Ensure leadership buy-in – Each step should be owned by the leaders of different functions. All key executives must participate in the executive IBP step. Leadership buy-in and participation is critical for IBP success.
- Create a mutually-agreed upon planning calendar – Since inputs from one step feeds the next, ensure clear visibility on the dates for completing each process step or the date of IBP meetings. Most successful companies have a calendar that is defined and published for at least two quarters.
- Enable visibility beyond the end of the fiscal year – The planning horizon for IBP meetings is usually 18-24 months. Organizations should develop capabilities in the underlying planning processes (such as demand, supply, financial planning, accounts, and trade) that extend beyond the year end.
- Align roles and responsibilities – Across every IBP meeting, participants should know their roles and be clear on the required input from them. Some successful organizations go a step further and even define responsibilities for each input.
- Carefully prepare for each meeting – Establish a structured process to collect information and prepare for each step of the IBP process. For effective meeting outcomes, focus on business objectives, decision points, critical assumptions, and exceptions.
- Build what-if scenarios and versions – This is a critical input. Perform ad hoc what-if scenario models using relevant (rather than historical) assumptions to identify possible scenarios and create proposals for business decisions.
- Institutionalize a sales and operations execution (S&OE) process – This improves execution in the short term and enables corrective actions. It will help focus the IBP meetings on medium and long-term decisions and prevent expending time on current operational challenges.

Technology

Once processes and people are aligned, organizations should leverage effective technologies that enable process automation as well as robust analytics across large datasets. Automating critical steps within the IBP process helps sustain adoption. It also sets the foundation to manage tasks and design the right KPIs that measure planning effectiveness.



Fig 4: Dimensions of data for IBP



Due to the cross functional nature of IBP, organizations need technologies that support capabilities such as:

- Data management – Complex data from different sources resides across multiple, disparate systems. Data management and integration is needed to ensure that data inputs are timely, complete and incorporated accurately in the analytical tools.
- Scenario planning and what-if analysis – This refers to the ability to simulate and compare different scenarios based on volume plans, supply constraints and financial information.
- Smart demand forecasting – Organizations should be able to model constraints and demand drivers, and perform root cause analysis. Based on our experience with numerous clients, most decision-makers within

organizations want to know about the various demand drivers and how these impact volume. Infosys has helped several clients build a demand driver-based forecasting algorithm that provides visibility into true demand. It considers the different factors impacting demand and the relative weightage of these factors, thereby facilitating informed decision-making.

- Workflow management – Tools are useful to gather data, perform analytics and manage operations for effective collaboration. In-built workflow capabilities can help assign tasks and monitor progress across many contributors.
- Dashboards – A standard metrics dashboard is vital for each meeting to allow participants to slice and

dice information in real-time. With newer capabilities in planning tools and analytics software, it is possible to create a pre-defined dashboard that will facilitate each step of IBP process. This will reduce the burden on participants to collect, analyze and present the information needed for each meeting.

The right IBP tool can be used to measure the efficacy of the IBP process itself.

Infosys has observed that, when systems are correctly implemented, it empowers teams to prioritize and measure what is most important and ignore what is not.

For example, teams follow Pareto Laws and use segmentation analysis based on different methods, levels and thresholds.

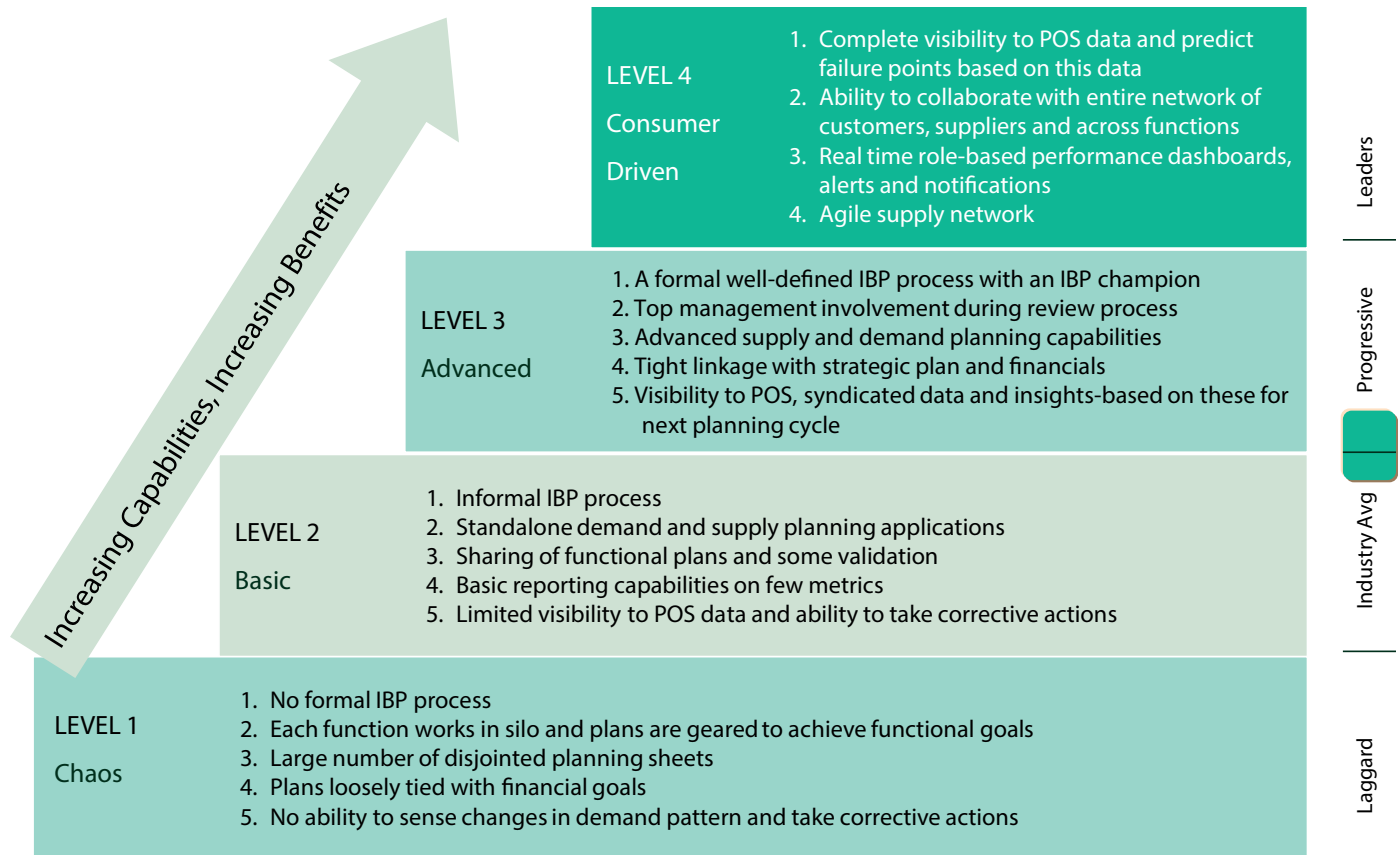
Fig 5 illustrates tangible organizational outcomes achieved through IBP automation.



Recommended framework for implementing IBP

The adoption and implementation of IBP is often a journey rather than a big-bang implementation. As mentioned in previous sections, multiple capabilities are required to ensure success.

As a first step, organizations must conduct an initial assessment to find out how mature their planning processes are and identify the major gaps in capabilities across people, processes and technologies. The assessment may use the 'stages of excellence' approach (Fig 5) to determine the initial maturity level. Based on this, organizations can adopt measures to meet the requirements of the next level, thereby elevating their IBP process maturity.



Source : Infosys industry experience; industry publications and journals

Fig 5: IBP stages of excellence



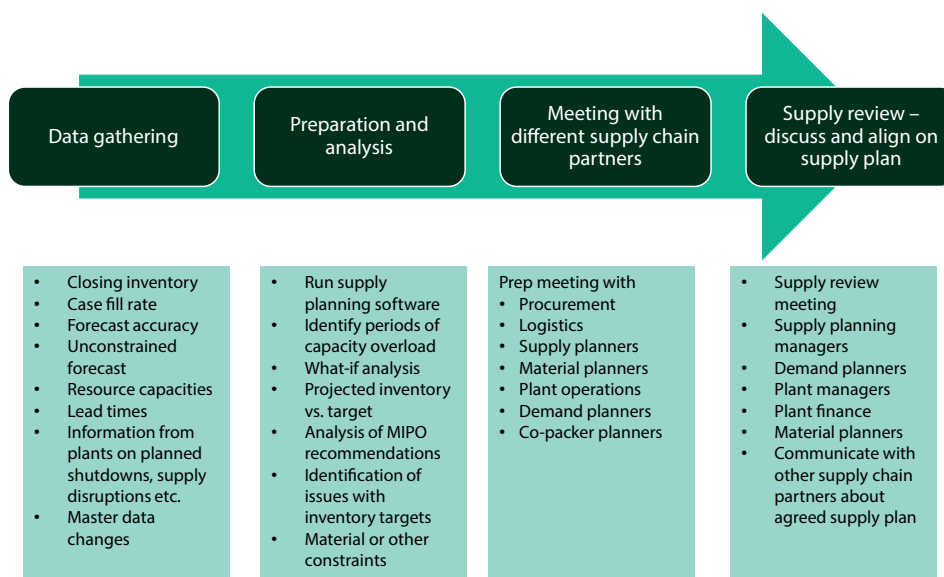
Based on previous experience, Infosys proposes the following approach for companies that are just beginning their IBP journeys:

- Get executive alignment and sponsorship. Gather a perspective on the key questions that executives often ask, such as:
 - Why do we need to change?
 - What is the IBP process and what are its key goals?
 - Who, in the organization, should own the IBP process?
 - How is the success of IBP measured?
 - How long will it take and how much will it cost to implement?
- Identify a process champion to lead the overall IBP process. Having a senior leader own this process is critical.
- Improve the volume forecasting process by enhancing steps like product portfolio review, demand review and supply review.
- Get buy-in from different functions such as marketing, sales, supply chain, and finance for the IBP process. It is important to ensure organizational alignment around who owns the forecast for each step of the IBP process.
- Define the planning horizon across all functional areas. Although IBP requires a planning horizon of 18-24 months, organizations are often unable to perform long-term volume, cost and revenue forecasting due to certain constraints. Infosys recommends starting with 12-18 months and slowly increasing the planning horizon.
- Integrate financial forecasting with the volume forecasting process. Once the volume forecasting capabilities have been developed, integrate these with the financial planning process so that decisions can be made using financial metrics such as margins, operating profit and cash flow.
- Differentiate between planning and execution processes by establishing a formal S&OE process and cadence. This can save the IBP effort from being swept aside by short-term operational discussions. When defining a formal S&OE process, organizations must consider the following:
 - **Focus on specific activities for 0-3 months**
 - Resolve short-term conflicts between supply and demand that cannot wait until the monthly S&OP process
- Arrange weekly meetings focused on tactical needs
- Update near-term integrated forecasts and supply plans every week
- Review variances, gaps and challenges to develop action plans
- **Improve collaboration and accountability**
 - Arrange weekly meetings focused on tactical needs
 - Update near-term integrated forecasts and supply plans every week
 - Establish thresholds to reduce overall effort and foster collaboration
- **Measure impact of near-term actions on key metrics like:**
 - On time in full (OTIF)
 - Case fill rate
 - Forecast accuracy
 - Expedited logistics costs
 - Schedule adherence
- Establish a formal process to prepare for each meeting. For example, Fig 6 shows the various steps undertaken by a supply planner at a client organization when preparing for the supply review meeting.



Inputs

- Rolling 18 months forecast
- Inventory and safety stock targets
- Phase in and phase out
- Changes to supply network
- Resource constraints
- Equipment
- Labor
- Storage
- Transportation



Outputs

- Constrained forecast
- Long term risks, issues
- Alternatives to meet the required demand
- Alignment on inventory targets by period (for e.g., pre-build)

Fig 6: Steps to prepare for supply review meeting

- Use technology to ease the effort spent on collecting data, analyzing it and preparing for IBP meetings. Often, the amount of time and the volume of data analysis that is needed to prepare for each step of the meeting are major deterrents for team members to sign up for the new

process. There are several immediate steps that organizations can adopt to ease the data collection and analysis effort such as centralizing key data elements in a data warehouse, automating data pulls and standardizing calculations for key metrics.

IBP has numerous benefits to offer organizations that outline realistic goals when defining the roadmap to IBP maturity. Based on our experience, organizations that dedicate time to align the strategy, process and incentive structure, and choose the right technology are the ones most likely to succeed on this journey.

How Infosys helps

Infosys has partnered with many organizations to enable IBP process maturity. We bring in a practitioner's perspective and use approaches rooted in quick wins and accelerated value realization.

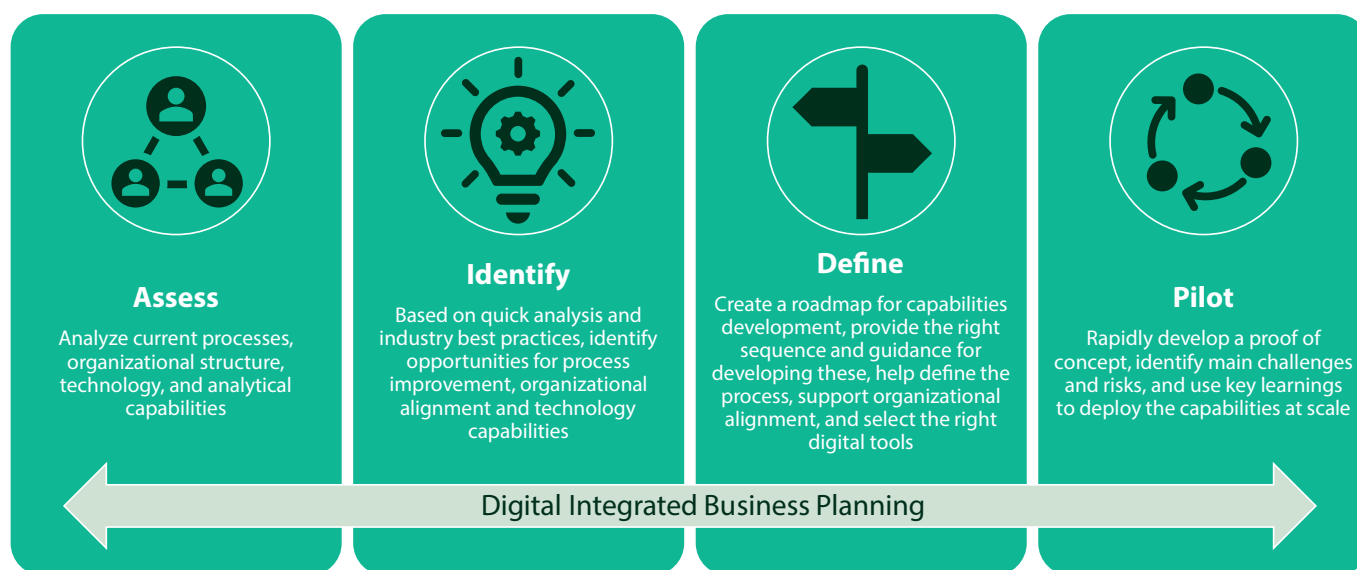


Fig 7: Digital approach to ensuring success with IBP

Besides enabling organizations to establish IBP capabilities, Infosys has also helped many accelerate their ongoing IBP initiatives by digitalizing the planning process. This includes providing capabilities around real-time digital twins, analytical dashboards and scenario planning.

Conclusion

Integrated business planning goes beyond sales and operational planning by encompassing strategic planning that includes functional areas like sales, marketing, supply chain, demand, and finance. It helps organizations make better planning decisions, respond to market forces in real-time, optimize resource allocation, and foster collaboration across teams for business growth. To achieve this, organizations must align people, process and technology using the recommended 'stages of excellence' maturity framework. This best-practices approach can help organizations consistently improve their integrated business planning for better resilience and set the foundation to adopt other digital technologies that drive greater value.



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