An Executive’s Guide to Integrated Business Planning

20 questions you should ask... and the answers you should expect
## Integrated Business Planning

### 20 questions you should ask

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Integrated Business Planning (IBP) can most simply be described as advanced, or next-generation, sales and operations planning (S&OP). IBP represents the evolution of S&OP from its production planning roots in the 1970s into a fully integrated management and supply chain collaboration. Over the years, conventional S&OP has typically been assigned as a supply chain process, balancing supply and demand over a one-to-12-month horizon, with no real financial integration; the focus on the short term and on the numbers, rather than the issues. IBP is the business planning process for the post-recession era; integration is what distinguishes it from its predecessor, and it brings with it a truly strategic perspective. Led by the executive team, IBP is a common-sense process designed for effective decision making. It allows senior management to plan and manage the entire organization over a 24-month horizon or more, aligning strategic and tactical plans each month, and allocating critical resources – people, equipment, inventory, materials, time, and money – to satisfy customers in the most profitable way.
A successful IBP process allows an organization to plan for success and then align the entire organization to execute against this common plan. Key to the IBP process is a rolling 24-month integrated volumetric and financial plan (‘one set of numbers’) that covers the product portfolio, demand, and supply. It establishes a bottom-up realistic plan and ensures early focus on any potential gaps in business performance against targets, business plans, goals, and strategic plans, allowing organizations to predict and respond positively to changing conditions, in plenty of time. So whatever lies ahead, IBP can help you plan for it.

02

What are the principle goals of IBP?

03

What are the biggest challenges in implementing IBP?

Understanding, leadership, and commitment. The biggest challenge in implementing an IBP process, or transitioning from S&OP to IBP, is for organizations to comprehend the true scale of what the process can achieve for the business, and for the leadership team to be prepared to commit to a new style of running the business. Then comes the sizeable challenge of overcoming the traditional thinking of operating in functional silos, and to integrate all the key areas of the business (Product, Sales, Marketing, Supply, Finance, R&D, etc.) into a single Integrated Business Planning process.

04

Who in the organization owns the IBP process?

The owners of the IBP process should be the business leader and the leadership team – without buy-in at the top, it cannot succeed. Achieving ownership at the senior level is really about engagement in understanding of the process at that level and of the significant benefits that can come from integrated planning.
How is the success of IBP measured?

Ultimately a successful IBP process will bring a substantial return to the bottom line, but success is also measured through the execution of the business plan in a cohesive and efficient manner, right across the organization, so the predicted results for the business can be achieved. IBP allows the leadership team to get a realistic view of where the business is planning to be, and make real decisions ‘now’ to influence that position. This enables top-line growth, as well as cost efficiency, through early action in preventing loss of business and exploiting new opportunities. Many executives speak of control of the business; understanding the business; visibility of expected business outcomes; and business growth.

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<th>Some of the benefits IBP delivers to Oliver Wight clients</th>
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<td>Revenue growth</td>
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Is IBP only suitable for organizations of a certain size or level of planning sophistication?

It is not really a question of size or sophistication but more of correct process design – to fit the style and shape of organization. Clearly single-site businesses will have different requirements from those of global matrix-structured organizations. Oliver Wight’s experience is that all successful organizations, whatever their size or sector, are those continually trying to improve their business planning processes.

“Ultimately a successful IBP process will bring a substantial return to the bottom line, but success is also measured through the execution of the business plan in a cohesive and efficient manner.”
What are the key factors to consider in establishing a successful IBP process?

- Strong leadership is all-important
- People are fundamental
- Education drives behavioral change
- Creating internal experts within the organization
- Developing multi-disciplined teams
- Consistent processes with clear responsibilities and accountabilities
- 24-month rolling horizon with a focus on the longer term; not the short term

- Aggregate planning – what will be the core family and segment groupings used to promote the right discussions within the reviews
- Monthly frequency of review – rather than quarterly or weekly
- High quality and timely availability of information – flowing bottom-up
- Honesty and trust in the numbers
How does the monthly IBP process work?

There are five steps in the monthly IBP review process. These are not a series of discovery meetings but a continuous process of orchestrating those who are business-accountable to review, present, and communicate progress and change. The reviews must be action oriented, and they demand rigorous preparation to identify issues and scenarios for consideration in advance of the meeting, so decisions can be made and revised plans agreed upon before they are made visible across the entire integrated process. The review meetings are scheduled from the outset, and those involved have to prioritize those dates – nothing should be more important; after all, this is the management process running the entire business.

1. **Product Management Review:**
A crucial difference between IBP and a typical S&OP process is the inclusion of product management. This review is fundamental to understanding which product changes or key initiatives being planned will have a direct impact on the business and, most importantly, whether they are on track to deliver to expectations: What changes are taking place (and when) over the horizon to ensure an attractive product portfolio that will deliver market share and profitability objectives? Which products will be introduced, discontinued, or changed; What will be the effect of marketing-led promotional activity; and What is the time-phased plan?

2. **Demand Review:**
Demand will change in response to economic, industry, and market forces – growth, inflation, exchange rates, consumer confidence, competition, promotional activity, the availability of new products, and so on. The demand review is to assess and develop forecasting capability and sales planning performance, and to use this information to generate the latest view from marketing and sales, underpinned with volume and revenue projections. Assumptions must be documented to provide visibility and understanding, and the sales and marketing views reconciled to gain consensus on a ‘most likely’ demand plan.
3. Supply Review:
A review of how the supply chain is performing – from supplier delivery, through conversion and master supply plan performance. What is the demonstrated performance of operations and what is the timing of improvement programs, so there is clear understanding of supply capability and flexibility? What is the impact on the supply chain of changes in demand and the timing of product development? Are there material constraints in supporting the new demand plan and is there sufficient resource? What are the options and opportunities?

4. Integrated Reconciliation:
Change would typically have been identified in all of the above reviews and a continuous reconciliation process is required to address and resolve the issues arising; to re-optimize the business, and manage any gap between the business strategy and the updated view of forward business performance. Reconciliation needs to get beyond the numbers to a real understanding of the key business levers and forces at work, and to model scenarios. The integrated picture and real management issues can then be presented to the senior team succinctly, with options and recommendations.

5. Management Business Review:
This final step must be based on real management information – a review of key performance indicators and analysis of trends in operational and financial performance, highlighting gaps versus business and strategic plans. It will present issues arising, together with the underpinning understanding of assumptions, vulnerabilities, and opportunities, which have either been resolved at prior steps or require a decision based on the recommendations from the reconciliation review. This review will require the approval of the revised forward plan that will provide clear visibility for the single set of numbers driving the business.

The review meetings are scheduled from the outset, and those involved have to prioritize those dates.
Data accuracy is obviously critical to any business process; not just IBP. Recognition by the leadership team that data, and how it can be transposed into information, is critical – to the extent that data should be owned by the leadership team. This may require a substantial change of behavior. Delivering accurate data requires passion and commitment to data excellence – from the leadership team, down through all levels in the organization. And of course, what gets measured, gets done. So having a measurement system to track the accuracy of data is critical.

How do you decide which information is critical to the IBP process?

Deciding what information is critical to IBP should again start at the top. The key is for the executives to understand what information they need in order to make real decisions to help influence the future performance of the business. The leadership team must set its expectations through the design of the monthly IBP management business review – the final step of the monthly IBP cycle. This review, attended by the company’s most senior executive, is fed by IBP’s Integrated Reconciliation process – its function and that of its leader is to ensure only the key issues get to the leadership team and that the information is of the highest quality.

How do you make sure data for IBP is clean, accurate, and current?
At what level of granularity should you be planning for IBP?

Although accurate data is vital, there is also a danger in getting too bogged down with detail. The planning granularity will depend on the level of the organization in which it takes place and, therefore, in which planning horizon – short term planning, in parallel with IBP, would of course be in detail and by SKU. However, for the IBP process itself, planning needs to be aggregated by product and process family, as well as channel and segment, to ensure the focus is on changes in the key business assumptions.

How does IBP exert control over the supply chain?

Part of the challenge with critical suppliers and customers is developing relationships based on trust. Trust can only be generated when people deliver to expectations and to promise. The IBP process can really help this by delivering reliability in the numbers. The greater the collaboration through the numbers, the better the relationships and, hence, plans. In areas where there is little control over the outcome, then planning a range of outcomes, as well as an integrated view on various scenarios, prepares the business to deal with events, which are not easily controlled.
There is, and always has been, a need for different planning horizons (short, medium, and long term) to be used at different levels within an organization. However, organizations have typically lacked a process which is capable of planning out across all geographical regions and functions, when they are globally integrated. The extension of S&OP to IBP addresses all these horizons and, so, is designed for complex matrix-structured organizations. Of course short-term planning and re-planning is an essential component of operational execution; without excellence in these areas, organizations will fail to deliver the optimum results both in regard to customer service and cost. The frequency of Integrated Business Planning must still be monthly as the process re-synchronizes the medium-to-longer term plans against the business plan and strategy. Companies which mistakenly use the monthly process to synchronize the short term are losing out on two fronts – it is impossible to resynchronize the short term quickly enough, and they are missing the opportunity to use the process to regularly synchronize the medium to longer term.

Has globalization and increased supply chain complexity impacted planning frequency?

Yes, but it doesn’t mean you need to spend a lot of money or time in implementation. The challenge with IBP is, first and foremost, about people and processes: IBP requires understanding of process and alignment of people’s behaviors. However, (software) tools do play a major part in ensuring data and information is available to the process, and in helping to drive improvement in the more sophisticated processes. Oliver Wight took a leading role in the initial development of software to support IBP (Enterprise Sales and Operations Planning Tool) and continues to develop ESOPT using best practice IBP implementation experience. In addition, there has been development in the general technology space that helps support the IBP process – companies like SAP, Oracle, JDA and several other players have developed tools to better support the requirements of a truly integrated business process. In the end, whether you develop your own tool, purchase a “best-of-breed” tool, or turn on/add a module to your existing ERP system, care and consideration should be taken to ensure you have best practice data and information to support your process and that the technology solution does not slow down progress of IBP process implementation.
## How does IBP allow for flexibility in supply chain planning?

| 15 | Flexibility may or may not be a requirement of a supply chain, depending on the way the business and its supply chain intend to meet customer service levels, and also on the cost-to-serve. Supply chains should be optimized to deliver customer and cost expectations for service etc., and products should be segmented into supply chain bundles to meet that approach. The attention to detail needs to apply to any business process in pursuit of excellence in performance. Increasingly, the “runners” in a supply chain can be left to automated processes, as long as the organization has the maturity of process to deal with this – as opposed to just seeing this as automation of current processes. This means people in the organization can focus on the products where there is higher variability and uncertainty. This is a key feature of the IBP process. |

## Can IBP optimize inventory?

| 16 | Yes. However, this requires strong management resolve to improve the process. The areas that impact inventory levels are: required customer service levels; forecast variability; variability of supply, and the level of investment. Clearly, if the level of investment is below that which can be achieved with current performance and variability, then either customer service will be impacted or the business will have to make improvements to meet service levels with the right level of inventory. A good IBP process will drive improvement in many of these process areas, although it is critical for leadership buy-in that the focus of the process is seen as business growth rather than purely as inventory reduction. |

"There is, and always has been, a need for different planning horizons (short, medium, and long term) to be used at different levels within an organization."
It’s always best to involve your very best people since, by definition, they will be the most effective and influential in establishing the process with the rest of the workforce.

How long does it take?

The important thing is to begin; the benefits and a return on investment can come quite quickly – as long as you stay committed to the process. Some businesses reach Class A status within 12 to 18 months but, of course, every organization’s circumstances are different, and you will work at a pace that suits your particular situation. Naturally, your starting point has a bearing on how quickly you get to where you want to be, as does the complexity and culture of your organization. But commitment is key – the more determined you are, the quicker you will reach your goals.

How much does it cost?

Less than you might think. IBP isn’t something that a consulting firm can do for you; it’s something you do for yourselves – with the support of your consultant. At Oliver Wight, we believe in the old Chinese proverb that if you give a man a fish, you feed him for a day; but if you teach a man to fish, you feed him for a lifetime. Our role is one of education, mentoring, and coaching. Successful IBP is only sustainable if you (rather than we) take ownership of it and that way, you will continue to gain improvements long after we’ve left. So you only call on us when you need our help, which means you always keep control of what you spend. That is not to say you shouldn’t be prepared to make a serious financial commitment to implementing IBP, in the same way you’ll need to commit time and resources. We’ll make it clear what you should expect before you start. But you should expect to get at least a tenfold return on your investment.
What personnel do you need to commit to IBP?

Ultimately, everybody in the organization needs to be committed. But that commitment begins at the top. You’ll certainly need an IBP champion at the most senior level and then leaders for each of the key processes – product, demand, and supply. It’s always best to involve your very best people since, by definition, they will be the most effective and influential in establishing the process with the rest of the workforce. To be successful, the process must come ahead of everything else, so you need to be prepared for your chosen people to be able to dedicate the necessary time and commitment to it; some organizations find it most effective to allocate people full time to the key roles. Communication is key, and we’ll help you design and deliver a cascade education process to make sure your entire organization knows what the goals of your IBP process are; what the benefit is to them; and what role they are expected to play in its success.

How do you get started?

Tell us what you’re trying to achieve, and if you think we can help you, we’ll arrange to visit your organization to carry out a diagnostic assessment, benchmark your organization, and prepare an executive briefing:

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At Oliver Wight, we believe sustainable business improvement can only be delivered by your own people; so, unlike other consultancy firms, we transfer our knowledge to you. Pioneers of Sales and Operations Planning and originators of the fundamentals behind supply chain planning, Oliver Wight professionals are the acknowledged industry thought leaders for Integrated Business Planning (IBP).

Integrated Business Planning allows your senior executives to plan and manage the entire organization over a 24-month horizon, while Oliver Wight’s extended Supply Chain Planning and Optimization ensures your supply chain is designed and structured to deliver best-in-class customer service with minimal costs. Using the Oliver Wight Maturity Model to pursue our globally recognized Class A standard for best practice will determine a tailored improvement journey for you to develop your organization’s processes, and reach and sustain excellent business performance. With a track record of more than 40 years of helping some of the world’s best-known organizations, Oliver Wight will help you define your company’s vision for the future and deliver performance and financial results that last.

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