



Integrated Business Planning:

Driving Agility, Speed and Profitability

Four Steps to Success

By Philip Peck and Guy Daniello

Executive Summary

Businesses today are challenged to be agile, move at a rapid speed, and drive topline growth while improving profitability. Adding to this digital innovation, market transformation, and new business models have accelerated the scale and pace of change. To be competitive organizations need continuous analytics, real-time strategic planning, and dynamic re-allocation of limited resources. Enter Integrated Business Planning (IBP) - a planning approach to help organizations align strategy, operations, and financial planning while enabling advanced modeling and “what-if” analysis. Leading businesses are leveraging a four-step approach to implement IBP while focusing on guiding principles and best practices to ensure the success of the transformation effort.

Businesses that adopt continuous planning and performance management are significantly out performing their peer group. Conversely, organizations that fail to change and leverage these capabilities are not able to rapidly revise their strategies and performance suffers.

Excel spreadsheets that have served well for many years are no longer sufficient to support the needs of the interdependencies of our complex and connected businesses. While they provide personal productivity, spreadsheets create significant challenges limiting executives’ ability to collaborate and rapidly react to changes in business and market performance. Further, spreadsheet information and analysis is often questioned due to the fact it lacks a trusted source and is fraught with manual errors.

Business complexity has made the spreadsheet challenge even more difficult to solve. 86% of executives believe that their business processes and decision making has become so complex that it is hindering their growth in a digital economy. (Source: HBR 2015, The Business Case for Managing Complexity).

“Despite significant efforts to improve processes and better use technology, many organizations are still encumbered by disconnected processes, fragmented data, lack of cross-functional alignment, and limited ability to perform “what-if” modeling and analysis around key business drivers. These organizations struggle to make real-time planning decisions with confidence and likely miss-out on profit maximizing opportunities.”

- Phillip Peck,
Vice President
Peloton

This complexity is bringing issues to light. For example, traditional ways of managing the connections between strategic intent, operational activities, and financial plans (e.g. silo’ed and disjointed processes, fragmented data

sets, Excel spreadsheets, etc.) are creating a disconnected, misaligned environment where companies struggle to have a single, consistent view of key planning assumptions to make informed, collaborative, and near real-time decisions. There is hope though, as digital transformation has accelerated the imperative to transform planning activities from a single annual planning exercise to a connected, dynamic, event-driven planning and analytics-based paradigm called Integrated Business Planning (IBP), where driver-based planning and simulation models are rapidly updated and plans and forecast leverage real-time analytics. IBP helps leaders to quickly adapt to the ever-changing external environment and make agile, fast, and profitable decisions that significantly improve their likelihood of success.

Overview of IBP

IBP is the process of linking strategic, operational, and financial objectives and plans to improve organizational alignment and financial performance. A well-defined IBP process requires explicit and tight cross-functional integration across key areas in support of the following core planning processes: Sales and Marketing, Operations, Supply Chain, and Finance.

FAST, FLEXIBLE PLANNING IS THE NEW NORMAL

Percentage of respondents agreeing with these statements.



Over the next 12 to 18 months, the ability to make changes in a timely manner will become increasingly important to our organization



Our plans typically require changes during the execution phase

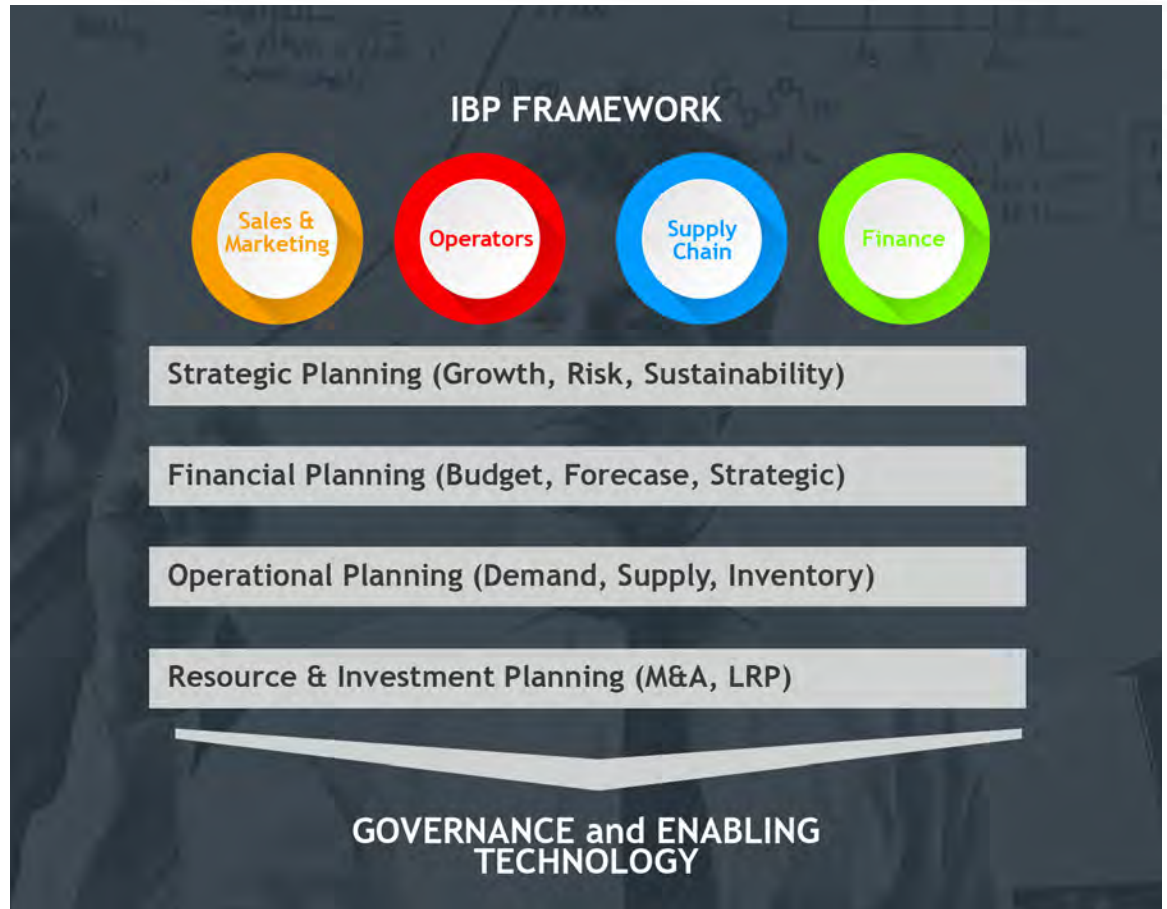


Our organization needs to create plans more frequently now than it did three years ago



Most of our plans require frequent changes on an ongoing basis

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2016



With IBP, these functional areas work in harmony to support processes that span the entire organization, such as strategic planning, financial planning, operational planning throughout the entire value chain, and resource and investment planning.

When an organization uses IBP it creates the following opportunities and benefits:

- > Complete alignment of strategic objectives, operational plans and activities, and expected financial results across the organization.
- > Dynamic resource allocation where organizations can quickly model and simulate the financial impact of various “what-if” scenarios, explore alternative options, and determine the optimal path forward.
- > Well-orchestrated and tightly coordinated planning and analysis that incorporates standardized processes, consistent assumptions and drivers, robust data governance, and well-defined performance metrics across all business areas.
- > Improved quality and accuracy of operational and financial forecasts.
- > Enhanced organizational agility that leads to faster decision-making cycle times.

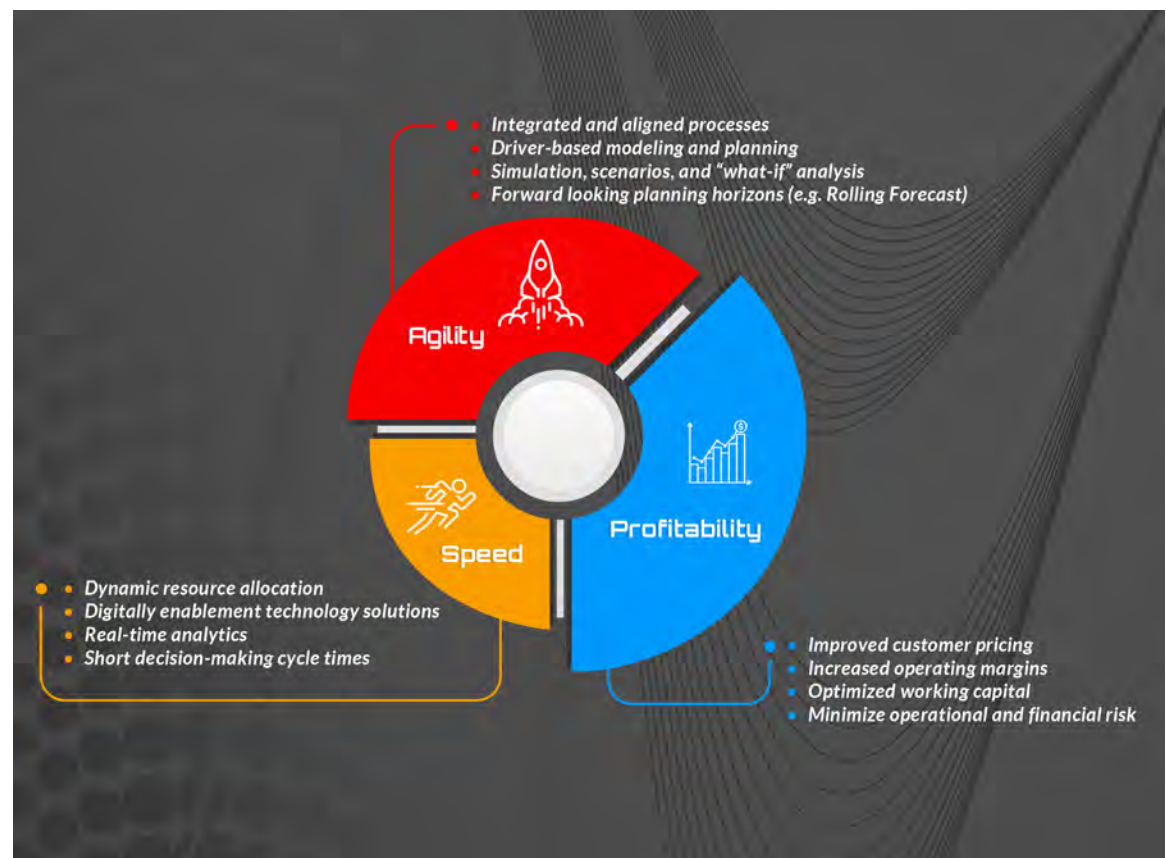
IBP enables speed, agility and profitability

"I've worked with many clients to implement IBP and use driver-based modeling and planning to think through different scenarios. This agility enables an organization to make decisions at the speed-of-thought, leading to not only greater profitability but a unique competitive advantage"

- Guy F. Daniello,
Founder and
CEO Peloton

When an organization uses IBP it is able to make agile decisions with speed that in-turn drives profitability. Having the ability to integrate and align processes and create "what if" analysis creates agility. Understanding and applying real-time analytics drives speed. Understanding how to improve customer pricing and minimize operational and financial risk increases profitability.

The below graphic describes these actions in more detail.



There are various challenges all organizations experience such as margin erosion, pricing, commodity or supply risks, working capital optimization, as well as market disruption where having a successful IBP can help an organization get ahead. When IBP is implemented organizations can benefit in various ways such as real-time modeling, determining growth strategy, and improved connectivity across an organization. The following client examples bring this to life.

**Natural Disaster
Drives Need for
Real-Time Modeling
and Financial
Estimates**

> **Challenge:** A chemical manufacturing company had experienced a severe supply chain distribution disruption due to a natural disaster which disabled the primary transportation mechanism to ship finished products to their customers. Given the situation, the CFO needed to quickly understand the impact of this unexpected event on their operational activities and the estimated financial impact such that he could provide near-term financial guidance to Wall Street and other concerned stakeholders.

> **Before IBP:** In their previous environment where comprehensive IBP did not exist, the work required to understand the operational implications of the natural disaster and then translate this to updated financial expectations was a herculean task taking several weeks and significant manual effort from the Financial Planning & Analysis (FP&A) team.

> **After IBP:** With a robust IBP capability and environment now in place, this company is capable of rapidly modeling internal and external scenarios, understanding the expected financial impact of alternative decision options, and rapidly deploying or redeploying resources as needed. Their IBP environment, built upon a foundation of driver-based modeling and planning, now enables decision-making at the speed-of-thought.

**Maximizing Margin
vs. Maximizing
Production =
Maximizing
Profitability**

> **Challenge:** A global process manufacturing company traditionally focused on maximizing production output across all of the manufacturing facilities. While this provided a good foundation for efficiently operating their facilities, it did not optimize margin and profitability across their business.

> **Solution:** The FP&A team spearheaded an initiative to use IBP and significantly enhance their existing Sales & Operational Planning (S&OP) processes to harmonize the planning level of detail across functions, establish a robust driver-based modeling capability, clearly show the financial impact around potential options for shifting product mix across and between plants and the related supply chain distribution considerations, and establish the process for aligning sales, production operations, and finance.

> **Impact:** Using IBP, the enhanced driver-based modeling capabilities, enhanced S&OP processes, and related governance changes provided the framework for optimizing profitability as marketplace conditions dynamically changed.

**Disconnected
and Fragmented
Planning No More**

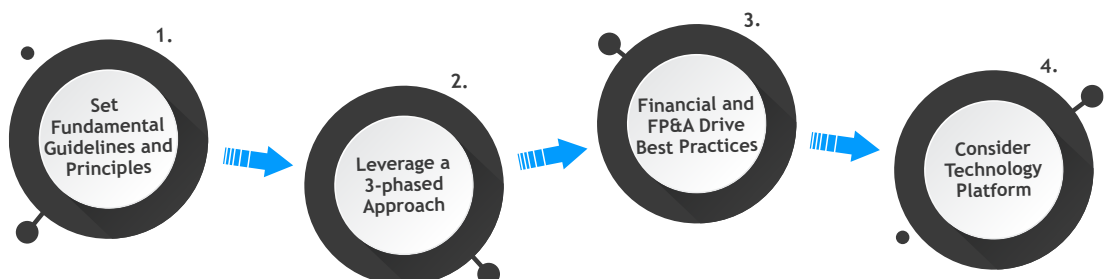
> **Challenge:** A life sciences company struggled with fragmented and disconnected planning processes, inconsistent data, limited visibility into the operational drivers impacting financial expectations, and unclear roles and responsibilities across the key planning activities.

> **Solution:** Realizing the need for transformational change, this organization used IBP to redesign all aspects of their core planning including purpose, key activities, process definition, roles and responsibilities, metrics and KPIs, enabling technology, calendar and timing, and overall governance.

> **Impact:** The Company achieved significant improvements in the quality and accuracy of annual plans and periodic forecast updates, established a foundation of robust “what-if” modeling and analysis capabilities, and delivered better information and analytical insights supporting improved business performance.

Implementing IBP: Four Steps to Success

Peloton has worked with many clients to implement IBP and we recommend the following four steps to success.



1. Set fundamental Guidelines and Principles

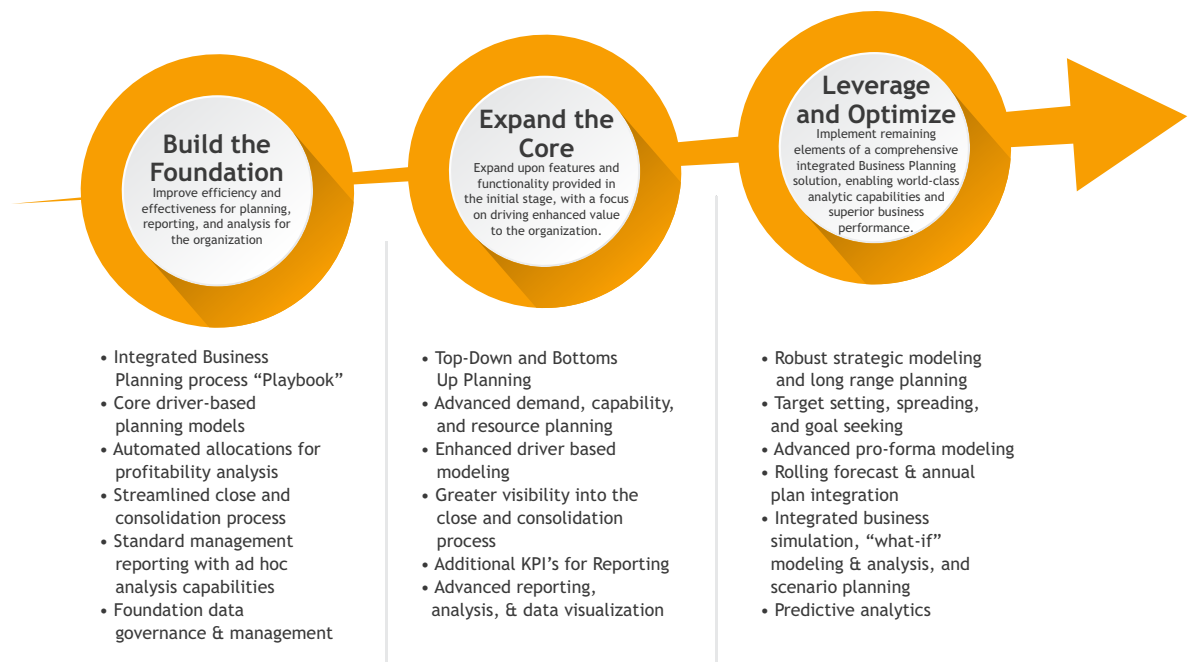
- > Ensure organizational buy-in into IBP philosophy and identify strong functional leaders who can be change agents
- > Define consistent processes with clear roles and responsibilities
- > Optimize integrated planning calendars including timeframes, drivers, schedules, etc.
- > Collaborate and integrate across functional units to break down silos
- > Set check points along the way to drive consensus
- > Provide quality data available to the right people at the right time
- > Ensure each business unit as clear actions to drive accountability

2. Leverage a 3-Phased Approach

Peloton's most successful customers leverage a 3-phased approach to delivering value to their organization that is measured and intentional to ensure long term end-user adoption.

In the "Build the Foundation" phase, organizations focus first on establishing their IBP process via developing a comprehensive execution playbook, foundational driver-based models, core reporting and analysis capabilities, and foundational data governance and data management.

The next phase "Expand the Core" builds upon the solid foundation creating additional capabilities including simultaneous tops-down and bottoms-up planning, more advanced demand / capacity / supply / resource planning, additional driver models and KPI's, and expanded reporting and data visualization. In the "Leverage and Optimize" phase, the IBP framework is optimized to deliver world class capabilities including integrated strategic pro forma modeling, a rolling forecast methodology tightly integrated with all planning events, robust simulation and "what-if" scenario analysis, and predictive analytics.



3. Finance and FP&A in a Strategic Role to Actively Drive the Following Best Practices

- > Establish tightly integrated S&OP (Sales & Operational Planning) and Financial Planning processes (the core pillars of IBP)
- > Deploy driver-based modeling, planning, and analytics capabilities throughout the organization
- > Enable the ability to perform holistic business simulation, "what-if" scenario analysis, and contingency planning
- > Become an indispensable business partner by providing unique insights, value added analysis, and support for more informed decisions
- > Leverage a rolling forecast approach to provide the ability to forecast beyond the calendar current year

Consider Your Technology Platform

A well designed and implemented IBP process offers numerous benefits for organizations including accelerated decision-making cycle times, enhanced agility and more dynamic resource allocation, and improved profitability. Critical to the success of delivering on the promise of IBP is leveraging an enabling technology platform to streamline processes, provide timely access to critical data and information, automate data management and integration, enable advanced modeling and scenario analysis, and deliver advance reporting and analytics.

Today's cloud-based, digitally-enabled technology solutions across ERP (Enterprise Resource Planning), EPM (Enterprise Performance Management), and Big Data & Analytics deliver advanced capabilities that optimally support the inter-connected, tightly integrated cross-functional IBP end-to-end processes.

These capabilities include:

- Transactional efficiency
- Consistent, timely data with “one version of the truth”
- Robust driver-based modeling and planning capabilities
- Transparency and visibility to the underlying business drivers
- Real-time reporting and analysis
- Advanced role-based dashboards and visualization
- Predictive analytics

As part of your IBP efforts, we recommend defining an overall performance management transformation roadmap that provides a holistic, intentional path forward covering the key areas of business processes, data and information, people and organization, and the critical role of enabling technology.

Conclusion

IBP is not a process to put off given the changes and complexity in the global economy.

For organizations that are considering engaging IBP, getting started sooner rather than later is the best course of action. This approach will enable your organization to make agile decisions in real-time that will drive your profitability and optimize overall business performance.

About The Authors



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About Peloton Group

Peloton is a leading consultancy that helps its clients drive growth and enhance performance through digital transformation. Peloton has the experts, leading practices, know how, and capabilities to help clients realize the vision of digital transformation. Organizations that will thrive in the new digital age will provide value through hyper-connected capabilities that connect people, process and technology. We partner with clients to design strategies, implement solutions and enable digital transformation. Peloton Consulting Group has been recognized four times as one of Inc. 5000's Fastest Growing Private Companies in America. Peloton is an Oracle Platinum Partner and Cloud Excellence Implementer, Anaplan Gold Partner, and Tableau Partner.

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