



Lost in translation?

Integrated business planning
can bring finance and supply
chain into alignment

It's no wonder that finance teams and supply chain teams in the same organization often worry that they're speaking different languages. In many ways, they're dealing with what appear to be separate realities on any given day. As a result, finance leaders often complain privately that they have little to no confidence in the numbers they receive from their counterparts in the business, while supply chain leaders struggle to meet financial expectations that they consider to be unrealistic.

This persistent inability to sync up plans effectively can lead to a scenario in which operational plans simply do not support financial plans, time after time. If corporate finance forecasts are higher or lower than demand planning forecasts, the results can be painful — inaccurate revenue forecast projections vs. actuals, inventory levels that are not aligned with demand, customer profitability targets that go unmet, unnecessarily high costs of goods sold, and obsolescence inventory costs that are at risk of increasing.

While this challenge has deep roots, it's one that can and should be fixed for companies that need more accurate, reliable planning capabilities. Integrated business planning is an approach that links together supply chain, sales, marketing, and finance at multiple levels, including corporate, regional and business units. Organizations that effectively adopt an integrated business planning approach are better able to hit their business targets for revenue, operating margin, working capital and asset efficiency.

Start at the top

Does your organization feel pleasantly surprised when plans are accurate? Does it "push product" at the end of the quarter to meet financial targets? Do leaders find it difficult to identify the root causes of financial misses? Are they negatively surprised when inventory levels hit an all-time high with a limited customer pipeline? Are they shocked when financial projections can only get within 20% accuracy of actual results? An integrated planning approach may be called for if these issues sound familiar to you.

While corporate planning generates an aggregated forecast based on actual data, business drivers, strategic targets, and economic factors, this forecast can seem completely disconnected to the plans being developed by the operational business units that are focused on developing product level demand and supply plans. Integrated business planning brings together the organization's top leadership and cross-functional groups covering supply chain, finance, sales and marketing to help create plans based on the latest

market, customer insights and supply constraints while also helping to define stretch goals that can be achieved through strategies and targeted action plans.

How we can help

Deloitte's Integrated Business Planning offering fuses the strengths of our Supply Chain and Finance practices to help provide practical answers to our clients' toughest planning challenges. Regardless of whether they want to assess how integrated business planning can work within their organization or they are ready to start implementing it, clients know they can have the hard conversations with our teams in the areas of supply chain, finance transformation, or enabling technologies. Deloitte's Integrated Business Planning offering helps to bring these capabilities together in a holistic way that can create lasting results for clients that impact growth, profitability and margins. Just as important, we are able to draw from Deloitte's global capabilities of supply chain, finance, and technology as circumstances warrant.

Here are a few of the specific areas where our cross-functional approach can help identify specific capabilities that are required to enhance Integrated Business Planning. Our typical approach would be to start with an assessment and roadmap development to help define and prioritize initiatives/capabilities to realize a future state vision.

- Integrated Business Planning — process structure, governance, organization and tools
- Demand planning, supply planning, and inventory optimization — foundational capabilities covering process, tools/ technology and organization.
- Finance planning, budgeting, and forecasting

- Integrated performance management reporting and analytics
- Customer and product profitability, segmentation and analytics

For many clients, a phased approach can offer immediate benefits without diverting precious resources and attention from operations and other initiatives. A crawl, walk, run approach can be utilized to focus on high priority areas with a focus on driving business value. So whether the organization is ready to embark on the journey all at once or take a bite-sized approach, an important step is to get started by using a suite of Integrated Business Planning capabilities to help drive the business toward improved financial results while increasing planning accuracy.

Bottom-line benefits

Among the reasons to consider Integrated Business Planning are many bottom-line benefits your organization may achieve, including:

- Align strategic business goals and measures from corporate through to business units
- Bring operating and financial plans into alignment to help generate better financial projections
- Improve the ability of sales, marketing, and supply chain teams to help meet the objectives of the overall corporate financial plan, which is based on strategic goals and business drivers
- Strengthen customer relationships through improved service while managing customer profitability
- Increase supply chain efficiency, including costs, asset efficiency and inventory requirements to support targeted growth and customer demands
- Clarify accountability for decisions, plans, and business performance

Increasing value from Integrated Business Planning

Here are some suggestions on how to get more value from Integrated Business Planning:

- Gain Executive alignment and buy-in to an integrated planning process to increase planning accuracy
- Utilize IBP as THE process to help drive business decisions across stakeholders - focus the process on business results - Define a structured process with clear roles and accountability across functions within the organization
- Establish and utilize data, enabling technologies with analytic tool capabilities, and cross-functional processes to support the integrated planning cycle
- Develop a structured governance process for helping to align and manage gaps between financial and operational plans

Integrated business planning in action

- A leading Consumer Products company had consistently missed their financial targets throughout the year and was not able to fully understand the root cause of the misses. Deloitte was engaged to assess their current planning processes and help identify specific capabilities that would be required to improve their ability to plan, realize their financial targets and conduct post mortem on misses to drive continuous improvement. An enhanced Integrated Business Planning process was implemented to more effectively utilize the business plans from sales, marketing and supply chain as the foundation for the financial forecasting and planning process. The Executive team gained additional visibility into market demand, the return-on-investment for promotion plans, and supply chain constraints to more effectively develop financial plans that could be realized.

- A global high-tech company, who is a leader in the market, was looking to enhance their ability to plan their business, supply chain to improve their financial performance. The latest business, supply chain plans were not effectively integrated with the financial planning process making it a challenge to project future financial performance. Deloitte was engaged to assess their foundational supply chain planning capabilities and how the IBP process is utilized to develop, drive crossfunctional plans that are linked with Finance. An IBP process was implemented as the anchor for the solution to link operational and financial plans and to help provide visibility to the executive team to important decisions that needed to be made on a monthly basis to drive improved business performance. The company has realized a tighter integration and between the operations plan and financial plan and are utilizing the process to help drive business decisions. The CEO and CFO have recognized the value the IBP process has brought to the organization and play an active role to own/drive the process on a monthly basis.

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