Enterprise Business Planning

Taking your company's planning capabilities to the ultimate level
Technology-enabled business planning is an essential capability that has improved by leaps and bounds since it first emerged in the early 1960s. Systematic integration efforts under the banner of Sales and Operations Planning and Integrated Business Planning have led to major improvements in the planning process and generated significant business value. However, for most organizations, the plans and planning processes related to supply chain, finance, and commercial functions are still largely separate, with links that make them “connected” but not truly “integrated.”

Recent advances in planning methods and enabling technologies are now making it possible to achieve the holy grail of business planning: the convergence of business planning processes across the enterprise into a single, truly integrated process. This enables businesses to generate a fully integrated plan that everyone is aligned around and can be measured against.
The history of modern business planning dates back to the early 1960s and the advent of Materials Requirements Planning (MRP). Since then, planning capabilities within the core functions of supply chain, finance, and marketing have made huge leaps in sophistication and delivering business value. This has been fueled by increased cross-functional understanding and alignment and the rise of increasingly powerful solutions that capitalize on those advances to solve mathematically complex planning problems at enterprise scale, near-real-time speed, and increasingly fine levels of granularity. Yet, despite these significant strides, there are still valuable opportunities for improvement.

While progress has been made in the field of business planning, organizations today are operating in unprecedented volatility driven by rising customer expectations, increased competitor capabilities, accelerated product road maps, never-ending demands for improved speed and efficiency, and expectations from investors and analysts for accurate and confident guidance from the C-suite. All of these forces are pushing companies to improve how they develop, communicate, and execute against plans, making the traditional paradigm of integration insufficient and requiring a new model converging the different planning functions in the organization.
Enterprise Business Planning: The holy grail of integrated planning

In recent decades, the operations-oriented capabilities for basic supply-and-demand planning and material requirements planning have evolved in two major steps. The first was Sales and Operations Planning (S&OP), or as we prefer to call it, Sales, Inventory, and Operations Planning (SIOP), which better integrates demand planning (as seen from the customer-facing sales organization) with core supply chain planning. The second was Integrated Business Planning (IBP), which expanded on SIOP by integrating key financial planning activities with sales and operations by providing structured, cross-functional “checkpoints” during the development of operating plans.

Through this evolution, businesses have made progress aligning and integrating their financial and commercial planning with their core operational planning. However, in practice, this integration typically occurs by inviting the finance and commercial organizations to participate in the S&OP or IBP cycle as “guests.” Although this helps align the different functional plans, it stops short of creating the one truly integrated business plan that many companies are seeking to develop and deliver.

Enterprise Business Planning (EBP) goes beyond IBP in its level of integration, adding the dimensions of marketing, pricing, and capital asset planning. As such, it completes the convergence of planning efforts across all functions: operational, finance (back office), and commercial (front office). It does this by integrating eight major enterprise functions, as shown in figure 1. EBP is specifically designed to provide ongoing visibility to the financial view of operating and commercial decisions to ensure operating plans support financial objectives.

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## Figure 1. The path to enterprise business planning

<table>
<thead>
<tr>
<th>Key functions</th>
<th>Pre-sales and operations planning (Pre-S&amp;OP)</th>
<th>Sales and operations planning (S&amp;OP)</th>
<th>Integrated business planning (IBP)</th>
<th>Enterprise business planning (EBP)</th>
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<tbody>
<tr>
<td>Demand</td>
<td>Demand planning</td>
<td>Sales and operations planning (S&amp;OP)</td>
<td>Integrated business planning (IBP)</td>
<td>• Demand sensing and shaping through EBP</td>
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<tr>
<td>Supply</td>
<td>Supply planning</td>
<td>Sales, inventory, and operations planning (SI&amp;OP)</td>
<td>Sales, inventory, and operations planning (S&amp;OP)</td>
<td>• Integrated disruption response management</td>
</tr>
<tr>
<td>Inventory</td>
<td>Inventory planning</td>
<td></td>
<td>Sales, inventory, and operations planning (S&amp;OP)</td>
<td>• Multiechelon optimized inventory staging</td>
</tr>
<tr>
<td>Revenue and sales</td>
<td>Sales plan</td>
<td>Revenue plan</td>
<td>Integrated trade promotion management and competitive pricing</td>
<td>• Marketing-driven demand creation</td>
</tr>
<tr>
<td>Finance</td>
<td>Accounting ERP</td>
<td>Planning, budgeting, and forecasting with automation</td>
<td>Rolling and driver-based planning</td>
<td></td>
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<tr>
<td>Pricing and incentives</td>
<td>Pricing strategy</td>
<td>Price management automation</td>
<td>Trade promotions management and demand shaping through pricing</td>
<td>• Confidence range-based prioritized sales plan</td>
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<tr>
<td>Product road map</td>
<td>Stage-gate</td>
<td>Product data management</td>
<td>Product lifecycle management</td>
<td>• Integrated real-time close; integrated cash-flow projections</td>
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<tr>
<td>Capital</td>
<td>Capital asset planning</td>
<td></td>
<td></td>
<td>• Driver-enabled scenario modeling</td>
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<td></td>
<td></td>
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<td></td>
<td>• Goal-seek optimization</td>
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<td></td>
<td>• AI-based pricing</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>• Integrated life cycle management</td>
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<td></td>
<td></td>
<td></td>
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<td>• Integrated capital planning</td>
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Advanced planning systems are all the rage

Convergence of planning and execution
Historically, function-specific systems were developed to fit the unique strengths, weaknesses, and challenges of a single functional domain. Since every function had its own unique requirements, it needed its own unique system. Financial planning systems focused on collecting inputs, making allocations, and aggregating and disaggregating financials. Pricing systems simulated competitive pricing based on myriad external considerations. Supply chain planning systems optimized the supply network to make goods available at the right time and place. This results in plans not being tested for alignment with organizational strategy wherein data is merely consolidated.

Effective system architecture and integration are critical to realizing financial results through a sustainable process wherein all stakeholders are aligned and on the same path to address market challenges. Advanced technologies, such as cloud-based microservices infrastructures, make it possible to have an integrated technology environment that all functions can use to develop and manage a converged business plan across the entire enterprise. This environment features a centralized data model with consistent hierarchies across all domains, including product, customer, and financial structures. The central model contains the essence of the integrated plan in terms of demand and supply, and connects all derived views (such as revenue plans and cash flow projections) by allowing for adjustments from a plan to propagate and assess the feasibility of the volume plan. Scenario planning allows users with different responsibilities to alter the plan, and integrated logic automatically translates the scenarios to all related plans. Planning models can be powered by predictive analytics and artificial intelligence, not only to improve quality, but also to increase the consistency of the overall model.
Additional features of Enterprise Business Planning

In addition to expanding the set of functions and processes that are included in the integrated plan, the EBP paradigm features three major improvements:

• **Concurrent planning across the enterprise.** With EBP, planning is executed concurrently and collaboratively, rather than sequentially based on a calendar across all affected functions. As such, EBP eliminates the white space between functions and traditional segregated processes—featuring parallel planning processes that are tightly integrated by common data sets, planning assumptions, and aligned performance management routines.

• **Integrated execution.** EBP eliminates the traditional boundaries between planning and execution by using integrated processes, systems, and data sets to create the plan, issue execution instructions, and monitor performance (using carefully designed dashboards to highlight potential, expected, and/or realized variances). This turns raw data into useful insight, gives managers more time to react, and enables organizations to respond to the inevitable plan exceptions in a synchronized manner.

• **Continuous, systematic learning.** EBP makes use of embedded feedback loops to systematically address differences between the plan and actual performance, automatically improving itself for the next planning iteration. In particular, it helps employees ask better questions and develop more complex and insightful analyses—including business strategy support and analysis, which is something many C-suite executives are looking for.
Multiple roles for Enterprise Business Planning

With these advances, EBP is more than just an integrated plan for the entire business; it’s the central component of an ongoing management process that fills multiple roles within the enterprise.

• **Coordination.** One of the biggest challenges for many organizations is coordination of planning and execution across different functions. EBP fosters coordination in a number of ways. First, it helps achieve organizational buy-in by providing a forum where views are exchanged and consensus is developed. Second, it enables a coordinated implementation of the strategy through aligned goals, commitments, and performance targets that are continuously monitored to help ensure the whole organization is moving in a consistent direction.

• **Target-setting.** EBP is forward-looking, helping to establish the goals an organization intends to achieve over the planning period. These goals include both financial targets (e.g., revenue growth, cost reduction, operating profit, and return on capital) and strategic targets (e.g., market share and new products). The process involves setting and monitoring financial estimates about capital expenditures and operating budgets, both for the organization as a whole and for individual divisions and business units.

• **Decision support.** EBP makes decisions more coherent by constraining the range of alternatives to consider and by acting as a heuristic that reduces the searching required to find an acceptable solution to a decision problem. Also, it enables the knowledge of different functions to be pooled and integrated.
Real-world benefits of Enterprise Business Planning

Implementing elements of EBP has already enabled companies around the world to dramatically increase shareholder value through a variety of key drivers (figure 2).

EBP drives revenue growth and increases market share through improved agility that enables adaptive, value-based pricing models and improved customer service and order fulfillment. It drives operating margins by enabling pricing optimization, improved forecast accuracy, and reduced manufacturing costs. And it drives asset efficiency by providing closer alignment between capital planning, market growth projections, improved working capital positions, and reduced inventories. EBP also enables other benefits that are less tangible, but still important, such as improved product road map management and better financial guidance in quarterly earnings. Also, it can have a positive impact on total cost of IT ownership by requiring tightly integrated data and collaborative systems, which simplifies the IT landscape and reduces the number of planning platforms. Finally, adopting EBP can increase job satisfaction for employees involved in planning, giving them more opportunities to challenge themselves intellectually and to see how their work contributes to business performance.

Figure 2. Value of Enterprise Business Planning

<table>
<thead>
<tr>
<th>Shareholder value</th>
<th>Shareholder expectations</th>
<th>Asset efficiency 5–15%</th>
<th>Operating margin 5–12%</th>
<th>Revenue growth 2–5%</th>
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<tbody>
<tr>
<td>Subdrivers of shareholder values</td>
<td>• Better management of product road-map</td>
<td>• Inventory optimization</td>
<td>• Price optimization</td>
<td>• Market share growth</td>
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<td></td>
<td>• Strengthen financial guidance</td>
<td>• Capital acquisition</td>
<td>• Forecast accuracy</td>
<td>• Value-based pricing</td>
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<td></td>
<td></td>
<td>• Working capital reduction</td>
<td>• Manufacturing costs</td>
<td>• Fulfillment improvement</td>
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Barriers to change

Although the benefits of EBP are compelling, and many leading companies are well on their way to achieving the full EBP vision, many other prominent companies are still struggling to execute even basic S&OP.

For decades, technology was the main barrier to improved planning and adoption. Today, however, the main barriers revolve around people and organizations. Misalignment of incentives to really transform and adopt new processes and systems, resulting in organizational inertia, are the biggest barriers to EBP implementation and adoption. When it comes to planning, many organizations have been doing things the same way for years or even decades. Also, organizational politics and functional silos invariably exert an influence.

Misaligned priorities and unclear benefits are also common problems. In addition, many organizations face structural, technical, and architectural challenges that make it difficult to share data.

Fortunately, there are proven ways to address these organizational challenges. Start by aligning performance management elements (e.g., targets, incentives, and rewards) with the strategic KPIs and targets associated with the planning process. This applies both to functional groups and key roles, helping to drive behaviors that are aligned around the same shared goals. Integration challenges are addressed through a clearly defined model of roles and responsibilities for key stakeholders.
How to enable and accelerate Enterprise Business Planning adoption

In helping companies around the world transform their planning processes, we have developed a proven five-step approach to enable EBP (figure 3).

**Figure 3. EBP customer journey**

- **EBP visioning**
  Establish a baseline of strengths and improvement opportunities for your business planning processes. Define metrics and current performance levels. Develop and align on an EBP vision, identifying high-value use cases, as well as areas where organizational inertia will need to be addressed.

- **EBP strategy development**
  Finalize the vision, prioritize use cases, and define the governance model. Develop and get approval of the business case based on key performance indicators (KPIs) and targets. Create a phased implementation plan that delivers tangible value each quarter, defining pilot projects that can generate value quickly and mobilize the organization.

- **Piloting**
  Develop pilot programs that align with the EBP vision and demonstrate how new capabilities would be enabled. These programs should address all four core elements of people, process, data, and technology. Validate value generation and KPI impact. Prove the EBP strategy by generating business value early.

- **Industrialization**
  Refine pilots and scale their capabilities into sustainable solutions throughout the enterprise. Digitally enable the capabilities.

- **Adoption and transformation**
  Establish a technology architecture that can deliver and sustain the business improvements at scale. Deploy programs and tactics to proactively drive adoption, monitor KPIs, and make continuous improvement part of the DNA for EBP.
Taking planning to its ultimate level

For decades, companies around the world have been pursuing the holy grail of business planning that is fully integrated across the entire enterprise. Now, the methods and technologies exist to make that ambitious vision a practical reality. Enterprise Business Planning converges all critical planning processes in finance, supply chain, and commercial into a truly integrated process, enabling businesses to create and maintain a single plan that everyone is aligned around and can be measured against. The biggest challenges are organizational: having the drive to get started—and the willingness to embrace something different, but better.
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