



# Building Your Business Case for Integrated Business Planning

There's quite a buzz around Integrated Business Planning (IBP) today. If you're wondering why, just think back 20 years.

In the 1990s, if you wanted to create an operations plan, you had to start by generating a forecast based on customer needs. This enabled you to build the right quantity of products and manage your inventory appropriately. Your company's forecast probably allowed you to develop a rough-cut capacity plan that looked out three to five years in the future. And you most likely conducted all your planning at the product family level.

These forecasts were a definite step forward from what had come before. But since the rough-cut plan was so high-level—and thus, so vulnerable to fluctuations—companies like yours were left with two challenges:

- 1. Higher-than-expected demand left you scrambling to ramp up production.**
- 2. Lower-than-expected demand left you holding excess parts and finished goods.**



## IBP: Global Collaboration at Work

Jump forward to the present day. Building a forecast is still the essence of sales and operations planning (S&OP). But today's technology enables you to forecast, plan, and execute in new and better ways. You can now look beyond your local supply chain to work regionally and globally—engaging trading partners, suppliers, and customers.

This real-time collaboration is the essence of IBP.

With IBP, you're no longer limited to an "as far as the eye can see" perspective. You now have a completely integrated view of your global supply chain. Led by senior management, IBP is a process in which your company evaluates and revises time-phased projections for demand, supply, product and portfolio changes, and strategic projects—and the financial plans that result. This analysis is performed at an aggregate level that is tailored to your business, typically over a 24-month or greater rolling planning horizon. Many companies plan on a month basis, however, the right cadence is what works best for your company.

### With IBP:

- Your supply chain information is freed from silos and becomes available across the enterprise.
- Dozens or even hundreds of collaborators can simultaneously contribute their input and intelligence to your business plan.
- You can work across multiple departments to arrive at an analysis of your true cost to serve.
- Your supply chain partners can adapt more quickly to your needs—and balance their own supply chains—because they maintain an "always-on" view of your demand.



## Essential Elements for Your IBP Business Case

With potential benefits like these, it's no surprise that IBP is receiving so much attention. But the question remains: is it worth investing in the processes and technology that enable IBP? The only way you can answer that question is by comparing your current supply chain ROI to the paybacks you could expect if you achieved best-in-class supply chain status.

Make sure your business case for IBP focuses on broad areas of improvement and supply chain efficiency as well as projected bottom-line enhancements.

### Broad Areas of Improvement

Consider building your IBP business case around high-level areas of benefit, and then drilling down to provide projected savings and other financial improvements. According to one Accenture Operations Consulting executive, IBP can deliver value in terms of:

- **Appropriate levels of sponsorship:** IBP can help you unite your C-level executives around a common agenda.
- **Profitability-based decision making:** Having more detailed financial information can help your executives and managers make more profitable decisions.
- **Efficiency:** By minimizing manual tasks in the planning and forecasting processes, you can boost the overall efficiency of all participants.
- **Forecast accuracy:** Your revenue forecasts will be more accurate when you can leverage granular information from the product level.
- **Business value focus:** IBP makes it easier for you to consider both value-based and volume-based KPIs.
- **Risk management:** With a better view of risks and opportunities, your whole company can begin to plan budget contingencies instead of using inventory buffers.
  - Inside your organization risk examples: financial, personnel turn-over.
  - Outside your organization risk examples: geo-political shifts, weather catastrophes.
- **Process and system discipline:** Integrated data increases ownership and accountability at all levels of your organization.<sup>1</sup>

<sup>1</sup> Goyal, Umang. "Integrated Business Planning to the rescue." *EnterpriseInnovation.net*. July 9, 2013.

## Supply Chain Efficiency

Based on the high-level benefits of IBP, it's easy to imagine how achieving supply chain excellence could lead to quantifiable results across your supply chain. Consulting firm Oliver Wight recently set out to verify those results by surveying 40 of its clients who had achieved Class A (outstanding) performance in their S&OP processes. Oliver Wight found that the clients had achieved the following results:

- Increased forecast accuracy by 18-25%. This can translate to less buffer inventory and fewer stock-outs.
- Increased sales revenue by 10-25%. Having reliable access to inventory data can help representatives make sales with confidence.
- Improved on-time delivery by 10-50%. Fewer missed shipments can mean more repeat customers.
- Reduced inventory by 18-46%. This is a significant benefit when you consider that according to industry estimates, carrying excess inventory can cost you 25% of the value of that inventory per year.
- Reduced safety stock by 11-45%. Reducing your safety stock can help you free up resources for more important business priorities.
- Increased productivity by 30-45%. That means you can turn over more products without hiring additional staff.<sup>2</sup>

Meanwhile, a joint study by Hitachi Consulting and Aberdeen Research found that with IBP, companies can achieve a nearly 50 percent reduction in the monthly forecast cycle and a 34 percent reduction in forecasting errors.<sup>3</sup> And in a 2012 study by PricewaterhouseCoopers, best-in-class finance teams were spending 17 percent less time gathering data and 25 percent more time on analysis compared to their peers, and were delivering forecasts in less than half the time<sup>4</sup>

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<sup>2</sup> Crum, Colleen and Palmatier, George. "Sales and Operations Planning: Leading an Effective Management Business Review." Oliver Wight.

<sup>3</sup> Hitachi Consulting. "Integrated Business Planning." Solution overview. 2010.

<sup>4</sup> PricewaterhouseCoopers. "Putting your business on the front foot." Finance effectiveness benchmark study 2012." January 2013.



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## Bottom-Line Value

No business case would be complete without projected financial benefits. As you develop your argument for IBP, keep in mind that in one Aberdeen Research study, enterprises that had achieved best-in-class status for S&OP had an average cash conversion cycle of 30 days and tallied gross margins of 42.6 percent.<sup>5</sup>

In addition, Hitachi Consulting and Aberdeen Research found that companies with integrated planning:

- Had seven times the ability to monitor daily performance against company metrics.
- Were twice as likely to be able to respond to unplanned events.
- Achieved a 17 percent profitability boost over a two-year period.
- Enjoyed a 10 percent increase in gross margin over the same period.
- Recorded a 7.5 percent increase in return on net assets (RONA) over the same period.<sup>6</sup>

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## Put Your Strategy into Action

There's no longer any question that IBP can deliver results for any organization that runs a supply chain. And you now have the numbers you need to build a compelling business case for IBP in your organization. What's the next step? Partner with Demand Solutions to put your IBP strategy into action.

As the pioneer in S&OP software, Demand Solutions is helping some of the world's leading companies take the next step beyond S&OP and reap the full benefits of IBP.

**To find out how we can help you do the same, call us today at 800-886-3737.**

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<sup>5</sup> Ball, Bryan. "Sales and Operations Planning: A Global Comparison." Aberdeen Group Sector Insight. January 2013.

<sup>6</sup> Hitachi Consulting.