Unlocking Business Growth with Integrated Business Planning

In this day and age, strategic business priorities revolve around diverse objectives of exploring growth in untapped markets, improving profitability through lean operations, and sensing, shaping and orchestrating customer demand. With challenges abound and evolving, the rise of digital technologies is providing a competitive advantage and an uphill task. This business and technology environment demands collaboration, a scalable approach, and agility across the complex business network.

To meet these requirements and lead the wave of digital disruption, an inclusive integrated business planning (IBP) process is vital. IBP is a senior leadership-driven process that evaluates and revises a time-phased outlook for demand, supply, product phase-ins and phase-outs, strategic projects, and financial plans on a periodic basis, at an aggregate level. It creates aggressive and conservative plans for supply chain response to unforeseen business outlook changes.

The inclusiveness of the process comes from multiple angles: partners in the supply chain, business functions like finance and product management, end consumers of the product or service, and digital capabilities.

Business leaders are optimistic that adopting IBP will help them improve the key financial and supply chain measures. Part of the optimism can be attributed to the evolution of the digital ecosystem under the aegis of Industry 4.0. With IBP, organizations, irrespective of their maturity level, will see growth. Organizations will continue to gain advantage by getting the IBP basics right.[1] Figure 1 highlights the strategic priorities and the top supply chain challenges.

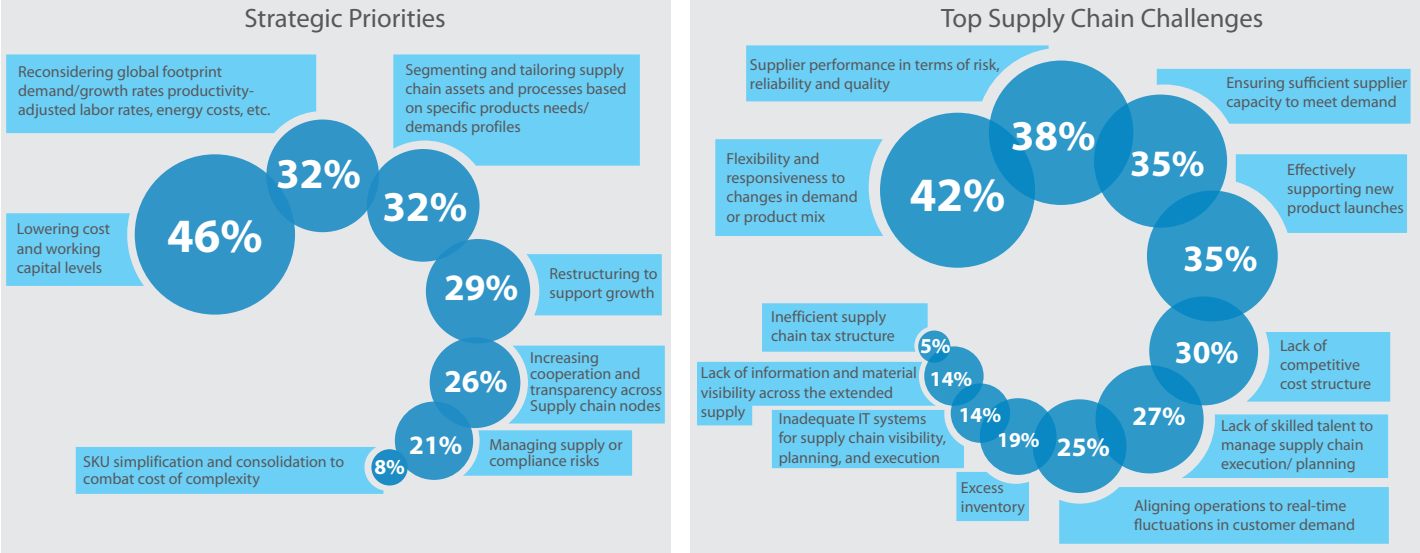

Fig 1: Supply Chain Priorities and Top Challenges for Organizations[2]

By supporting sales growth, reducing costs to serve, and improving working capital, IBP creates value across industries.[3]

The technology-driven Fourth Industrial Revolution has matured and the next wave of business planning is unfolding. In this revolution, return on insights will determine data quality, integrity, and success. Organizations will develop a competitive advantage in IBP with their digital assets.

Four distinct phenomena are taking shape as part of this fourth revolution. IBP will play a key role in each.

Connected Machines – IoT retrieves and stores real time, accurate data to provide higher granularity in demand patterns and deeper association with causal factors. This improves forecast accuracy, scenario planning, and forms the basis for prescriptive analytics. Accurate operational and financial impact analysis will drive better decisions with IBP. For example, when a natural calamity halts supply for an indefinite time, real time information and supply analytics will provide optimized scenarios to fill the supply gap promptly.

Constant Disruption – Incorporate new unconventional means such as products, channels, customers, revenue models, and supply options in IBP to meet changing consumer trends and develop future sustainable growth models. For example, a furniture retail chain may evaluate a new line of business for furniture rental services by going online. A toy manufacturer may install kiosks to 3D print toys on demand.

Inclusive Growth – Greater visibility in the extended supply chain is highly insightful. Tapping the last mile, both upstream and downstream, will enable insights about demand patterns and supply constraints. For example, cost pressures are prompting power technology companies to develop less expensive and more efficient equipment upgrade options. So they are re-aligning the supply chain to deliver them.

Influence or Perish – IBP offers a platform for product development teams to work with marketing teams to develop new value propositions. For example, technology companies are synchronizing the supply chain to deliver connected products, such as integrated-to-mobile video cameras and sensors to outdo the traditional security solutions companies.

IBP for All Practical Purposes

IBP is executed through five review meetings. Figure 2 describes the feeder processes.

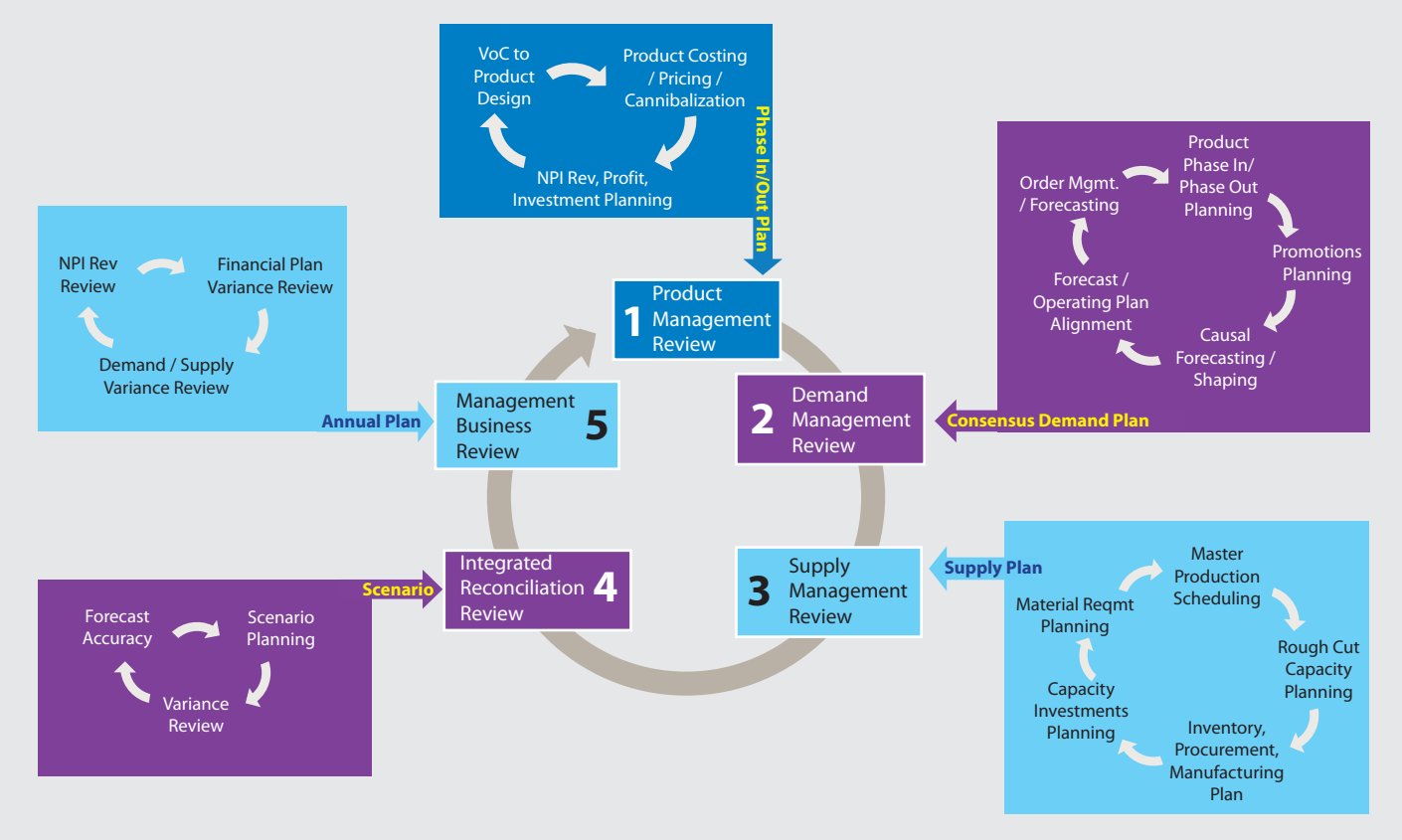

Fig 2: Feeder Processes of the Five Review Meetings Under IBP

To benefit from IBP, planning must be both, predictive and responsive. While IBP enables organizations to lay down and maintain a long term annual plan, the analytics component makes decisions responsive and agile. Using latest transactional data, organizations can generate and compare scenarios and make informed decisions.

Under product management review, engineers use rapid product design simulations and digital fabrication models to come up with new product prototypes. This reduces the engineering cost and time. For demand management review, demand planners employ micro and macro-economic factors and consumer trends to perform causal forecasting. On the supply management review, planners perform capacity simulations to optimize the production plan and plant design simulations for capital investment decisions. The reconciliation review sees IBP coordinators prepare several micro-economic scenarios to plug the financial and demand/supply gaps. And the management review lets IBP coordinators prepare several macro-economic scenarios to take decisions on the organization's business outlook. Figure 3 highlights the reviews, analytics, players, and agenda in IBP.

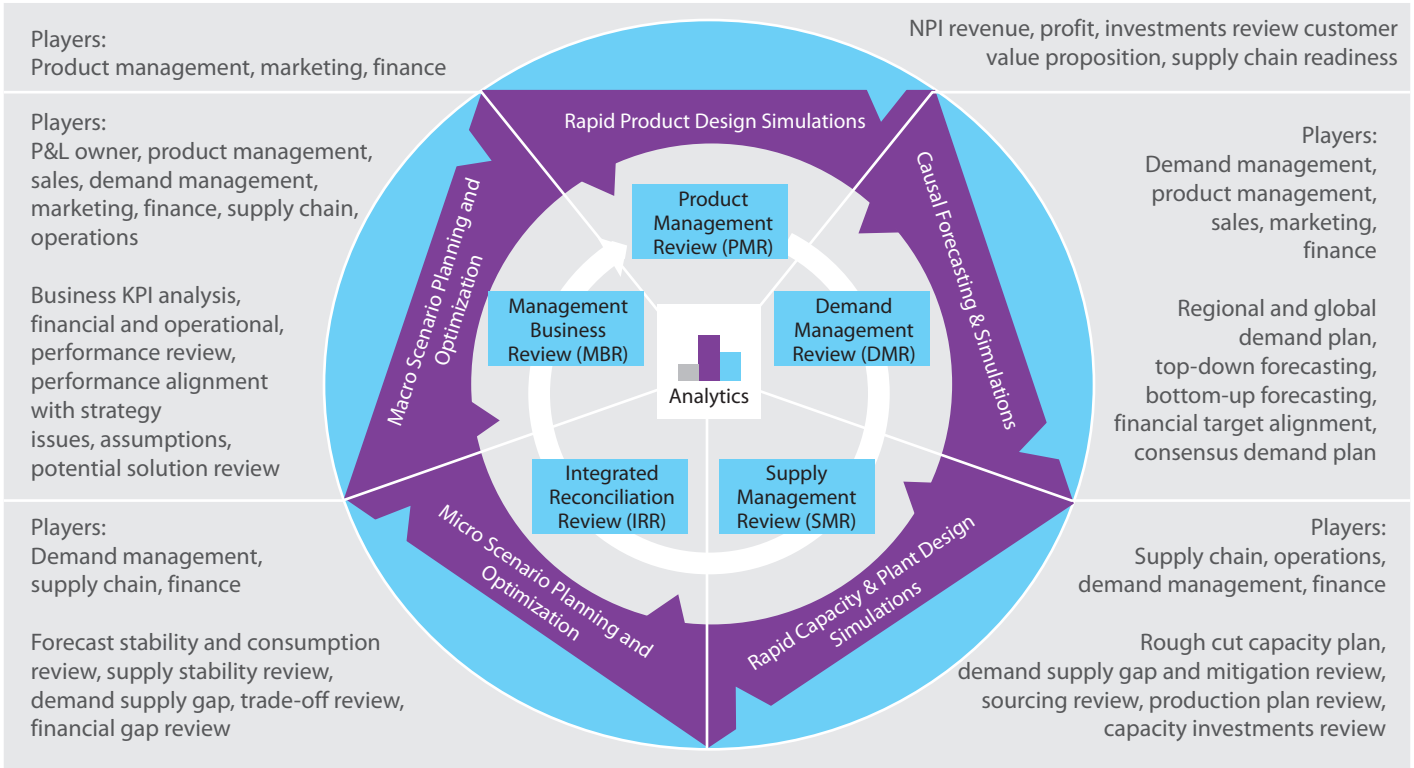

Fig 3 : The Reviews, Analytics, Players, and Agenda involved in IBP

Attaining Maturity on the IBP Diversity Curve

The journey of IBP maturity is governed on six distinct vectors – People, Metrics, Process, Technology, Data Analytics, and Strategy and Culture. Within the vectors, there is diversity in people or roles that participate in IBP, the data that generates the insights, the technology that powers the process, and the process itself which covers end-to-end supply chain.

People and Organization

Leaders on this vector are organizations that utilize the social traits of the participants for team formation, in addition to each individual's functional expertise and depth of experience. Alignment of people is heavily dependent on the organizational structure, autonomy of business units, and planning strategy. This makes leadership engagement and accountability non-negotiable, and translates business strategy into operational strategy.

Governance by Metrics

Alignment of key performance indicators (KPIs) of individuals must align with those of the organization, to enable objective conflict resolution and trade-offs.

Processes

To gain expertise in the 5-step IBP process and its foundational planning pillars, it is imperative that IBP is executed periodically. Preparedness for IBP review meetings may start low, but the congregation of the team makes the planning meticulous. On the flip side, lack of it, may cause an exponential drop in KPIs.

Data and Analytics

Analytics drives instant reflection of all actions and decisions in planning. A real-time simulation of optimized scenarios becomes a differentiator.

Tools and Technology

These are driven by technological advancements, which is also the foundation of Industry 4.0. With the advent of IoT, cloud, SaaS/ PaaS, AI, and digital fabrication capabilities, leaders on this vector will focus on real-time processing and security attributes of their digital assets.

Strategy and Culture

The bedrock of IBP is the strategy, vision, and values that an organization offers to this process. It will improve the triple bottom line – economic, social, and environment – of the organization. These two vectors influence the other vectors.

IBP Transformation – A Multi-Generational Program (MGP) Approach

The variables in the IBP framework are so significant that an incremental improvement approach works best. A multi-generational program (MGP) approach to IBP is recommended. The multi-generational nature of the program will address the organizational, process, technology, metrics, and capabilities aspects and will enhance IBP maturity.

The first step is a 'maturity assessment'. There are five levels of maturity for a planning organization – react, anticipate, integrate, collaborate, and orchestrate. This evaluates the competency of an organization's planning on the five driving vectors and assigns scores.

The next step is 'generation definition'. Depending on the organization's maturity, a roadmap is laid out with the appropriate number of generations. Each generation has a current state and future state, and emphasizes the achievement of certain competencies along the seven vectors.

This is followed by 'research and design' for the first generation. A solution is developed and proved to meet its objectives. Once the solution is proven, the 'Build' step for Generation 1 and 'Research and Design' step for successive generations begin. It enables the organization to release incremental competencies as part of each generation throughout the transformation.

Interestingly, at the May 2017 Gartner Supply Chain Executive Conference, Gartner presented the five stages of supply chain planning technology maturity[4] with a representative tool for each progressing stage - scotch tape, hammer, Swiss Army knife, combination of the Swiss Army knife and automation equipment, and robot.

Capturing both near- and long-term benefits

Using a maturity assessment of planning processes as the starting point, organizations can highlight areas of priority and develop a transformation roadmap. That journey will deliver multiple results along the way. As an organization progresses it will find it can cut down supply chain costs, order-to-cash cycle times, and procure-to-pay cycle time. It should see improvements in revenue, gross profit, forecast accuracy, cash flow and working capital.

By introducing a predictive and responsive approach to planning, companies can breathe fresh life into long-term plans and simultaneously take agile short-term decisions in response to changing market dynamics.

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