INTEGRATED BUSINESS PLANNING

Integrated Business Planning is the dynamic alignment of people, process, and data enabling forecast accuracy and effective performance measurement.
Complex supply chains, changing customer priorities, shortened product lifecycles, and evolving labor markets are testing management’s ability to plan and measure performance effectively. Internally, managing data on disconnected spreadsheets and centrally-controlled systems that do not support dynamic data feeds can impede communication of financial and operational information across departments. Consequently, businesses typically lack insight into the causes of variances in a forecast until they are well into the next planning period.

Integrated Business Planning (IBP) helps companies overcome these challenges by employing integrated models that host centralized data to create a single source of “truth” for all business functions. This may invert the planning focus by allowing stakeholders to proactively manage the business rather by not having to chase historical information.

An IBP strategy looks to align financial and nonfinancial data, encourage communications and collaboration, coordinate planning processes, and help ensure transparent reporting. Ultimately, reactive, after-the-fact analyses are replaced with predictive analytic insights that inform decision-making and increase knowledge of marketplace dynamics.

Implementation of IBP should focus on culture, processes, and technologies unique to an organization’s industry and size. Also necessary is a solid operational foundation built on executive sponsorship, defined processes, accurate data, and resources to support the initiative.

**Knock down functional silos and harmonize financial planning across the enterprise with IBP**

Functional departments typically work from the same script on most business initiatives. Not so with financial planning and analysis (FP&A), however.

That’s because departments often operate in silos, each applying disparate business goals, forecasting processes, and sources of data to FP&A. The result? Very often, conflicting planning scenarios.

Each department tends to follow its own mission. For example, corporate finance needs data to forecast supply chain needs while HR must plan for seasonal workforce fluctuations. The sales team may focus on the market and customers, rather than the guidelines that finance has laid out. Supply chain managers measure forecasts in lead times, while finance emphasizes fewer suppliers and reduced costs.

These disparate approaches to planning—along with a lack of centralized data—typically produce conflicting, unfocused financial forecasts. Compounding matters, many businesses use multiple Excel spreadsheets to prepare forecasts, which is a process that’s incapable of producing holistic, real-time visibility into revenues, sales, inventory, and supply chain performance.

Resolving these differences requires a single platform that aligns people, plans, and data across the organization. Enter IBP, a strategy based on a unified data source and collaborative planning. When aligned with a unified technology platform, stakeholders can work from a single script to break down functional silos and develop a business culture based on collaboration.

A centralized technology platform that aggregates data across all functions is critical to a successful IBP strategy. A common platform can connect the financial planning components of business domains, such as supply chain and sales, with those of corporate finance. Doing so can break down functional silos and harmonize financial planning across the organization.

**Key features of IBP**

An effective IBP methodology promotes more accurate planning through enterprise-wide communication and sharing of planning and forecasting information. This centralized approach enables IBP to align with complex enterprise-wide business plans and deliver all possible results from changes in assumptions, in near-real time.

To do so, IBP facilitates the automation of data integrity and consolidation. This data is then housed in a single repository that enables teams to collaborate on planning across the organization. The centralized solution allows stakeholders to assess changes in assumptions and dynamically apply revisions in one department’s assumptions to the overall business outlook. Also, added benefits include creation of a business intelligence database and the enablement of on-demand flex analysis that is presented in multidimensional views.
In addition to more accurate planning, IBP also enhances operational efficiencies and job satisfaction by enabling teams to focus on value-add analytical activities, rather than Excel template management.

**Realizing the real benefits of IBP**

Once organizations have removed silos and created a single source of planning and decision-making, the business benefits are significant.

For example, a study by research firm Aberdeen Group found that the No. 1 result among organizations that have implemented IBP is increased accuracy of financial forecasts. Other possible benefits include:

- Faster aggregation and integration of data
- Real-time analysis of financial and non-financial data
- Rapid rollouts of demand changes
- Enhanced inventory management and carrying costs
- Improved service levels through real-time collaboration with suppliers and customers
- Increase in top-line revenue

In addition to these tangible outcomes, a collaborative IBP program may improve partnering among finance and business departments. IBP also boosts job satisfaction because functional personnel can spend more time performing analyses and less time wrangling data.

**Real-world advantages of IBP**

The dynamic, collaborative power of IBP can transform how businesses create financial forecasts. Below are a few real-world examples:

**Collaboration:** A business with hundreds of brands and thousands of stock-keeping units (SKUs) scattered across multiple locations can use IBP’s central data source to better allocate costs. Doing so fosters intradepartmental collaboration and enables analysts to make more informed strategic decisions.

**Inventory management:** IBP can improve inventory management and forecast accuracy for businesses that manage a massive inventory of SKUs across very brief product lifecycles. This can subtract several days from the supply chain, saving millions of dollars annually in inventory carrying costs. It can also provide real-time visibility into all products in a single pane.

**Supply chain:** Companies with hundreds of supply chain partners may use dozens of Excel documents to analyze costs and manage supply chain performance. Not only is this manual method susceptible to human error, but it often demands that analysts spend more than half their workday integrating data. IBP’s flexible modeling capabilities allow the supply-chain team to connect models for single integrated view. As a result, supply chain analysts can complete processes like a demand change in a single day, rather than weeks.

**Why CohnReznick?**

CohnReznick has the experience and dedicated personnel to design, implement, and manage a customized IBP solution. Our team helps businesses develop a holistic IBP strategy using proven framework, methodology, tools, and benchmarks. In doing so, we leverage and connect existing platforms across department silos or implement market-leading integration and planning solutions. We also design custom-use cases that are incorporated into IBP applications to yield more accurate, actionable planning and forecasting.
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