Integrated Business Planning
Agenda

- My Next Guest Needs an Introduction
- IBP as Easy as ABC
- Mirror, mirror on the Wall
- Season to Taste
- A Change is in the Air
- Final Exam
• Big and small, public and private companies
• Acquisitions and divestures
• End-to-end supply chain experience
• Plant/distribution center, corporate and global roles
• Food, beverage, chemicals, logistics and durable goods
• Managed variations of S&OP and IBP
• I am a happy Illini football fan – for a week
Integrated Business Planning (IBP) is a holistic business planning process that extends the principles of S&OP throughout the supply chain, product and customer portfolios, customer demand and strategic planning, to deliver one seamless management process.
IBP as Easy as ABC

IBP expands S&OP into a broader planning perspective

- 24+ months
- Incorporates S&OP
- IBP becomes source of budget

Source: Oliver Wight
## IBP as Easy as ABC

### IBP Step Summaries

<table>
<thead>
<tr>
<th>Product Management Review</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Portfolio balance to strategy and performance to defined roles</td>
<td>Head of Marketing</td>
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<tr>
<td>• Funnel health and sufficiency</td>
<td></td>
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<tr>
<td>• Project status and corrective action</td>
<td></td>
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<tr>
<td>• Resource management</td>
<td></td>
</tr>
<tr>
<td>• Actions to deliver growth and mitigate risk</td>
<td></td>
</tr>
<tr>
<td>• Not a Stage-gate meeting</td>
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</tbody>
</table>

- **Management Business Review**
- **Supply Review**
- **Demand Review**
- **Product Management Review**
### IBP as Easy as ABC

#### IBP Step Summaries

<table>
<thead>
<tr>
<th>Demand Management Review</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unconstrained Volume, Net Sales and Mix</td>
<td>Head of Sales/General Manager</td>
</tr>
<tr>
<td>• Identifying Key Demand Drivers and potential changes</td>
<td></td>
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<tr>
<td>• Sales and Marketing spend</td>
<td></td>
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<tr>
<td>• Activity plans and alignment</td>
<td></td>
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<tr>
<td>• Actions to close gaps and exploit opportunities</td>
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</tbody>
</table>

#### Diagram

- [IBP Diagram]

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[Image of IBP Diagram]
## IBP as Easy as ABC

### IBP Step Summaries

<table>
<thead>
<tr>
<th>Supply Management Review</th>
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</tr>
</thead>
<tbody>
<tr>
<td>• Full network capability including Procurement</td>
<td>Head of Supply Chain</td>
</tr>
<tr>
<td>• Projected cost and cash versus budget</td>
<td></td>
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<tr>
<td>• Strategic projects</td>
<td></td>
</tr>
<tr>
<td>• Scenario planning</td>
<td></td>
</tr>
<tr>
<td>• Actions to close gaps and provide supply opportunities</td>
<td></td>
</tr>
</tbody>
</table>
**IBP as Easy as ABC**

**IBP Step Summaries**

<table>
<thead>
<tr>
<th>Integrated Reconciliation Review</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Financial appraisal of Product, Demand and Supply plans</td>
<td>Head of Finance</td>
</tr>
<tr>
<td>• Confirm plans and proposals to close gaps</td>
<td></td>
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<tr>
<td>• Prepare agenda for MBR</td>
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</tr>
</tbody>
</table>
### IBP as Easy as ABC

#### IBP Step Summaries

<table>
<thead>
<tr>
<th>Management Business Review</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Approve the latest view of the business and make necessary decisions</td>
<td>President/General Manager</td>
</tr>
<tr>
<td>• Understand changes and underlying assumptions</td>
<td></td>
</tr>
<tr>
<td>• Manage gaps versus business financial and operational commitments</td>
<td></td>
</tr>
<tr>
<td>• Plan 24+ months out</td>
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<tr>
<td>• Provide guidance for next iteration of cycle</td>
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</tbody>
</table>
IBP as Easy as ABC

IBP is not a replacement for operational activities

Source: Oliver Wight
IBP as Easy as ABC

IBP/S&OP differences

• More robust financial integration
• Inclusion of strategic plans, initiatives and activities
• Dedicated product and portfolio review
• Improved simulation, modelling and scenarios
• Easier translation between detail and aggregate plans
• Improved operational risk and visibility
• Improved gap identification and decision-making
IBP as Easy as ABC

Keep score, but, don’t get caught watching your metrics

Management Business Review
- Entity Business Scorecard
- Market share - key trends
- + selected from previous reviews

Integrated Reconciliation
- Financial measures
- Collaboration cost issues
- IBP Process scorecard
- IBP Review elements competency and maturity

Supply Management
- Perfect delivery
- Performance to plan
- Network Cost; inventory, quality
- SC performance
  - Aggregate
  - Detail
- Collaboration
- Velocity and Inventory turns trends
- Capacity achievement

Product Management
- Performance to rolling Plan (gates, launch, post launch)
- Health of funnel & fit to Strategy
- Market/Portfolio performance/trends
  - Resources vs. goal
  - Time to Market/ Profit
  - Innovation as % of Sales

Demand Management
- Customer Experience
- Market share
- Performance to rolling plan
  - Revenue, margins, price, volume
- Forecast accuracy and bias
“Integrated Business Planning (IBP) is a holistic business planning process that extends the principles of S&OP throughout the supply chain, product and customer portfolios, customer demand and strategic planning, to deliver one seamless management process.
Mirror, Mirror on the Wall

Assessing your organization is critical

• What are you solving for?
• How evolved is your S&OP process?
• Do you consistently under or over perform versus your plans?
• What is working in your strategic and operational planning?
• What are your challenges?
• How would you describe your culture?
• How are decisions made?
Mirror, Mirror on the Wall

One organization’s learnings:

• High level of engagement and passion for S&OP improvement

• S&OP is not broken, but numerous reorganizations have led to an inconsistent understanding of S&OP along with unclear accountabilities

• Recent accomplishments in portfolio management, supply planning capability, standardization and streamlining of demand content

• Most view S&OP as a near-term demand and supply balancing exercise owned by the supply chain...should be executive owned and led, supported by a full-time IBP leader as the process to “manage the business”
One organization’s learnings (continued):

• Demand variability and fixation on multiple numbers drives detail reconciliation vs. managing assumptions and actions to “sell more” profitably

• Short-term planning horizon leaves the organization chasing fires and delegating up problems vs. solutions and decisions

• The annual plan is a disconnected exercise vs. derived from a rolling S&OP plan
IBP implementations reflect your unique capabilities

• Build a you-centric model
• Top-down; bottoms-up
• Big Bang theory versus bites of an elephant
• External Consulting and Training versus in-house resources
• Formats/nomenclature
• Define success criteria
Ideal implementation has company-wide engagement

- **Cross-functional C-suite sponsorship**
  - Business-wide change support
  - Role-modelling collaboration

- **Senior enterprise leadership**
  - Focus on business value
  - Credibility
  - Cross-functional influencing

- **Building cross-functional teams**
  - Clear accountabilities
  - Incentives and metrics
  - Trust and collaboration

- **Coaching and mentoring**
  - Practical execution
  - Fast start

Source: Camelot Management Consultants.
IBP implementation balances patience with urgency

Source: Oliver Wight
People and Behaviors are critical to success

- Process versus Program
- Change and behavior management
- Communication
- Talk to the organization
- Checkpoints on process and operational results
- Don’t just check boxes – get better
Common stumbling blocks:

• Steps and data aren’t linked together
• Focus on 0 – 3 month horizon
• Too much attention on the small stuff
• Inability to make decisions
• Revisit decisions
• Frequent reworking of formats and content
• Use meetings outside the IBP process
• Lose organizational focus
Integrated Business Planning

01
- Classic IBP implementation with OW
- Top-down support
- Dedicated IBP leadership role
- 8 months to achieve rhythm
- Check-the-boxes
- Truth will happen
- Choose best options
- Balance resources

02
- Limited resources
- Rapidly growing business with robust pipeline
- In-house training
- Focused on formal Demand and MBR Steps
- Simplified for lack of reporting tools
- Evolved into other steps

03
- Culture adverse to “big” programs
- Introduced concepts relative to existing S&OP nomenclature
- Grassroots (code for subversive) introduction of concepts into existing process
- Will need to cross bridge on PMR and MBR
In Summary:

• IBP is a great tool for elevating the management of your organization

• Know what you are solving for prior to implementation

• Design IBP with your organizational capabilities and culture in mind

• Make IBP a living process
Appendix

Key needs and considerations

• Strong leadership is all-important
• People are fundamental
• Education drives behavioral change
• Creating internal experts within the organization
• Developing multi-disciplined teams
• Consistent processes with clear responsibilities and accountabilities
• 24-month rolling horizon with a focus on the longer term; not the short term
• Aggregate planning – what will be the core family and segment groupings used to promote the right discussions within the reviews
• Monthly frequency of review – rather than quarterly or weekly
• High quality and timely availability of information – flowing bottom-up
• Honesty and trust in the numbers

Source: Oliver Wight