



Spinnaker Point-of-View: Building a Roadmap to Adopt SAP® Integrated Business Planning (IBP)

In today's competitive manufacturing, distribution, and retail environments, firms must innovate and improve their supply chain capabilities to fend off the competition and achieve profitability and growth objectives. The rise of global supply chain ecommerce and Omni-channel retailing put pressure on the supply chain from both the demand and supply side as the time to market is compressed. Today's companies need real-time analytics to become more demand-driven and rapidly adjust supply chain decisions based on downstream behavior and consumption.

In response to these challenges, SAP's Integrated Business Planning (IBP¹) solution represents a significant step forward in SAP's supply chain capabilities and should be considered by companies using SAP-based ERP solutions – whether they currently plan their supply chain in SAP or not. This executive briefing summarizes Spinnaker's perspectives on why companies should consider SAP IBP, describes the innovative features of the SAP IBP solution, provides a relative assessment of the current capabilities of the various SAP IBP planning modules, and provides thoughts on how companies should think about SAP IBP as they evaluate their options and build roadmaps to improve critical planning capabilities.

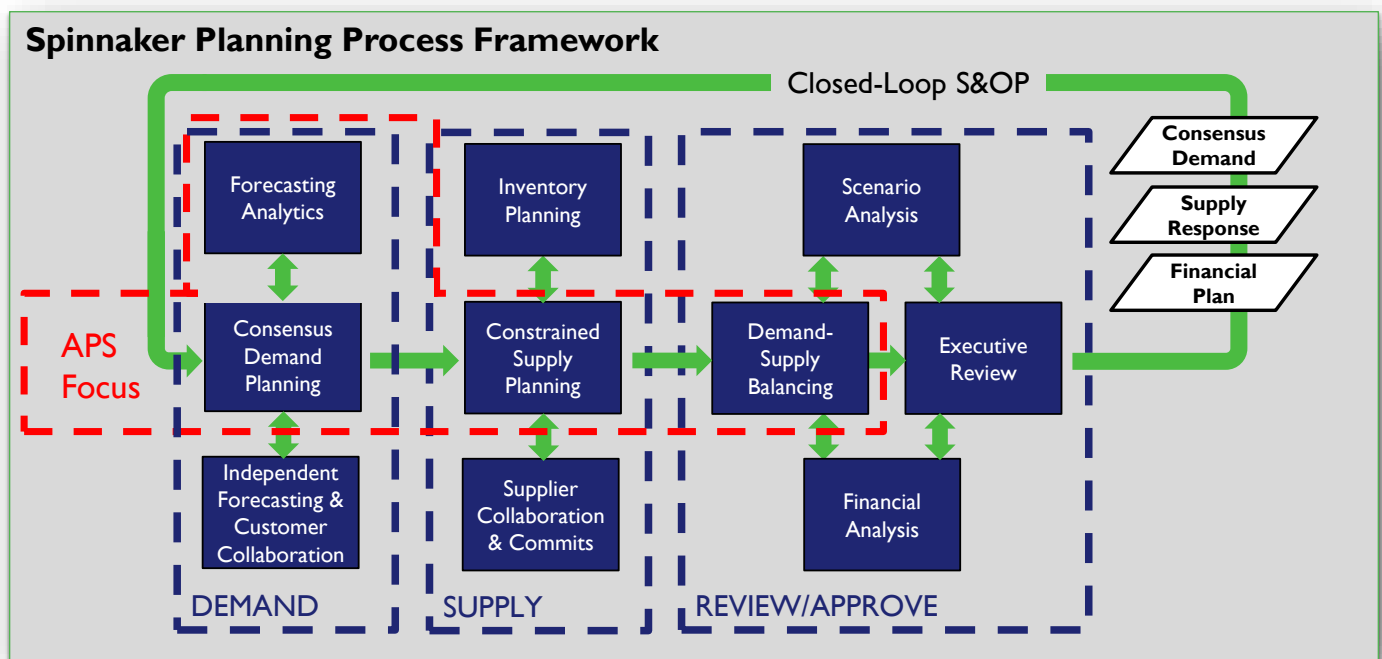
How SAP IBP is Different than Traditional Planning Systems

As a supply chain-focused consultancy, Spinnaker helps clients develop best-in-class planning capabilities that include improvements in organizational capabilities, business policy, process reengineering, and technology enablement. While we believe technology enablement is only one part of a successful planning transformation, planning software solutions are critical component of world-class supply chain planning

¹ Integrated Business Planning / IBP both as a term and acronym are – independent of SAP's use of the terms – standard industry terminology used to describe advanced maturity Sales & Operations Planning processes. In the content of this paper we will strive to be as clear as possible but will generally use the IBP term to refer to the SAP planning solution and typically use the term "SAP IBP"

capabilities and for many companies are a significant barrier to improved performance. We believe SAP IBP can be a differentiator to help companies get past some key barriers.

The diagram below describes Spinnaker's Planning Process Framework – a set of standardized and integrated processes we use as a model for helping clients redesign their processes to drive improvements. Traditional Advanced Planning Systems (APS) – including SAP's APO suite - support these planning processes with a set of modules focused on the different business processes. In general, the sweet spot for these solutions is the area outlined in red – which leaves companies with a patchwork of more loosely integrated software applications and spreadsheets to support the end-to-end process. In even the best of these environments the ability to run what-if scenarios and evaluate the impact across the processes is a tedious chore and inhibits truly integrated planning.



The architecture and scope of SAP IBP, however, addresses end-to-end planning processes in a much more integrated and holistic fashion. In addition to providing the potential for process integration, IBP has several beneficial features for implementation and deployment and a technology platform that creates a powerful analytical environment that can scale to meet the needs of the future. The advantages of IBP can be summarized as:

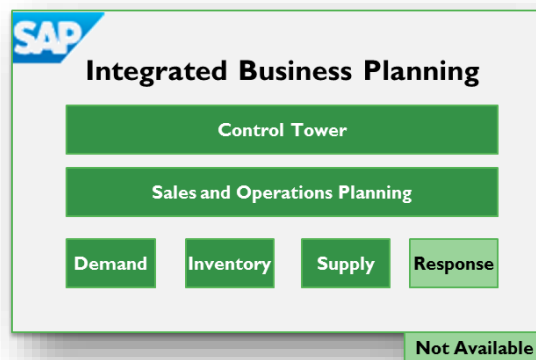
- Integrated suite of planning applications covering all processes in the Spinnaker Planning Framework
- HANA platform – faster and scalable
- Excel-based front end for ease of use and training
- Cloud-based for rapid deployments

- Common data model across modules enabling integrated what-if analysis

Background on SAP’s IBP Suite












The SAP IBP journey started in 2012 with the launch of the Sales and Operations (SAP S&OP²) module. SAP S&OP was originally positioned as a bolt-on solution that provided a more flexible planning environment to support aggregate-level S&OP process analysis, enable what-if and scenario analysis, and support collaboration. SAP S&OP was also the first SAP planning solution to take advantage of the speed and scalability of the HANA platform.

In mid-2014, SAP formally introduced a broader set of planning applications that included the S&OP module and branded the entire suite Integrated Business Planning (aka IBP). Essentially, SAP IBP is now a cloud-based planning solution built on the HANA platform that will be a key component of the overall SAP technology architecture going forward.



Within SAP IBP there are six planned modules that are depicted in the graphic above, of which five have been released.³ Given the release dates of the various applications, the maturity of each application in the IBP suite is varied and this differing level of maturity is a key consideration for companies considering how to potentially deploy IBP suite to support their planning processes.

The table below provides our view of the relative maturity of each application:

IBP suite of applications	2015 
S&OP	 
Control Tower	 
Demand	 
Inventory	 
Supply	 

² Similar to the earlier footnote regarding IBP, Sales & Operations Planning / S&OP is a well-established industry term for an integrated cross-functional planning process and there is also an SAP module to support the Sales & Operations Planning process called “S&OP”. In general, we refer to this module as SAP S&OP in this paper.

³ As of Spring, 2015

Additional background and a brief summary of each of the currently released modules is provided below:

Sales and Operations Planning (S&OP):

First introduced in 2012, the SAP S&OP application has been broadly implemented across a number of companies and is the most mature of the IBP suite of applications. SAP S&OP can be a key enabler of S&OP planning processes and also has seen significant updates to enable collaborative planning processes and/or financial planning capabilities. SAP S&OP provides basic forecasting and supply planning capabilities and can be used as a “light” planning application for companies with fairly simple supply chains. The scenario modeling and collaboration functionality within the tool also make it a compelling application to complement a traditional APS solution (SAP or otherwise).

Control Tower:

The Control Tower module was released in Q4 2014. The objective of this application is to provide end-to-end visibility of the supply chain and a platform for metrics and analytics based on this integrated data. The application integrates S&OP data with planning and execution from other systems to accomplish this objective and provides alerts and other functionality to help companies identify, analyze, and resolve problems in their supply chains in near real-time.

Demand:

Released in Q1 2015, the Demand module’s initial functionality is focused on demand sensing which complements SAP’s APO Demand Planning solution and enables companies to focus on demand-driven supply chain capabilities. However, over time the solution is expected to serve as a foundational demand planning and forecasting application with full functionality in 2015.

Supply:

The Supply module was released in Q4 2015. This application develops a time phased constrained or unconstrained multi-level production plan using heuristics or optimization with “what if” and scenario planning capabilities. The Supply solution is integrated with other IBP applications to provide a comprehensive supply picture across the supply chain supporting tactical and strategic supply planning needs.

Inventory:

The Inventory module was released in Q4 2015. This application builds upon SmartOps multi-echelon inventory optimizations (MEIO) purchased by SAP in 2013 and utilizes multi-echelon optimization and scenario modeling to help companies determine ideal time-phased inventory strategies across all levels of the supply chain network.

How Should You Think About Adopting SAP IBP?

Given the fork in the road that has occurred within SAP's supply chain planning strategies, SAP customers are left to evaluate the right strategy for their company and *when and if* to consider adopting SAP IBP. Given the relative capabilities of the different modules, the list below describes the areas where we see companies gaining the most benefit from SAP IBP in the short and intermediate time horizons:

Short-term:

- For companies with existing advanced planning solutions supporting demand and supply planning, we see the following opportunities:
 - Focus on enabling a cross functional S&OP process by using SAP S&OP integrated with existing APO (or other) planning solutions
 - Use SAP S&OP to gather field sales forecast data and manage a demand consensus process
 - Use SAP S&OP to enable advanced financial analysis integrated with operational planning data
 - Begin to explore advanced reporting and analytics capabilities such as Control Tower that are not available in APO or other legacy planning solutions
- For companies without advanced planning solutions and with relatively simple supply chain models, a reasonable approach is to adopt SAP IBP (specifically SAP S&OP) as a light-weight end-to-end planning solution and build out advanced capabilities over time

Intermediate to Long-term:

- In the longer term, companies will have more options to migrate from existing legacy planning solutions (often APO) onto SAP IBP as the capabilities of the tool begin to support the deep functional needs.
 - Focus on prioritized modules that yield maximum benefits, e.g. Inventory Optimization
 - Replace existing advanced planning solutions

The Importance of a Roadmap (and How Spinnaker Can Help!)

Our experience shows that as companies consider significant technology changes, it is critical to develop a clear roadmap to articulate the path and ensure alignment and buy-in. Beyond technology, an effective roadmap should focus on the most significant areas for improvement and also consider all the relevant areas where change will be required. Spinnaker's consultants apply a proven methodology called the "Five

Lenses” to design the future-state and ensure that *all important dimensions of the transformation are considered*. The five lenses we use are **People, Process, Technology, Policies** and **Metrics**.




Spinnaker’s consultants bring this comprehensive perspective to roadmap initiatives and help our customers quickly and efficiently develop a plan that will take their supply chain planning capabilities to the next level in a way that can be successfully deployed. To talk with our experts about SAP IBP and how best to deploy these impressive new capabilities in your organization, please contact us today!

We hope you found this information to be helpful. To access more Spinnaker thought leadership [click here](#), or to learn more about our services [click here](#).

About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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