



Integrated Business Planning

You can't have been a supply chain practitioner in the last ten years without having heard of Sales & Operations Planning (S&OP), and more recently, Integrated Business Planning (IBP). With the amount of buzz in the marketplace surrounding IBP, Spinnaker differentiates between IBP the process versus IBP the software tool from SAP. This brief will touch on common pitfalls and business challenges, real business benefits, and ways to move forward.

From our view, IBP is simply, "S&OP on steroids." It is a business process, enabled by tools, which extends S&OP to include sales, marketing, operations, strategic planning, supply chain, and the extended value chain. Effective IBP provides a real-time, dynamic view of the organization as consensus forecasts become plan.

IBP the Process

top-down process based on sales forecasts or production requirements.

Integrated Business Planning is an extension of the traditional S&OP review meetings. When done correctly, it is a closed-loop process that constantly iterates, evaluates, adapts, and performs. In our world, we see companies on various points of the Maturity Curve when it comes to IBP readiness.

In stage I, or 'Reacting,' we see firms that have the basic operational plan which flexes to

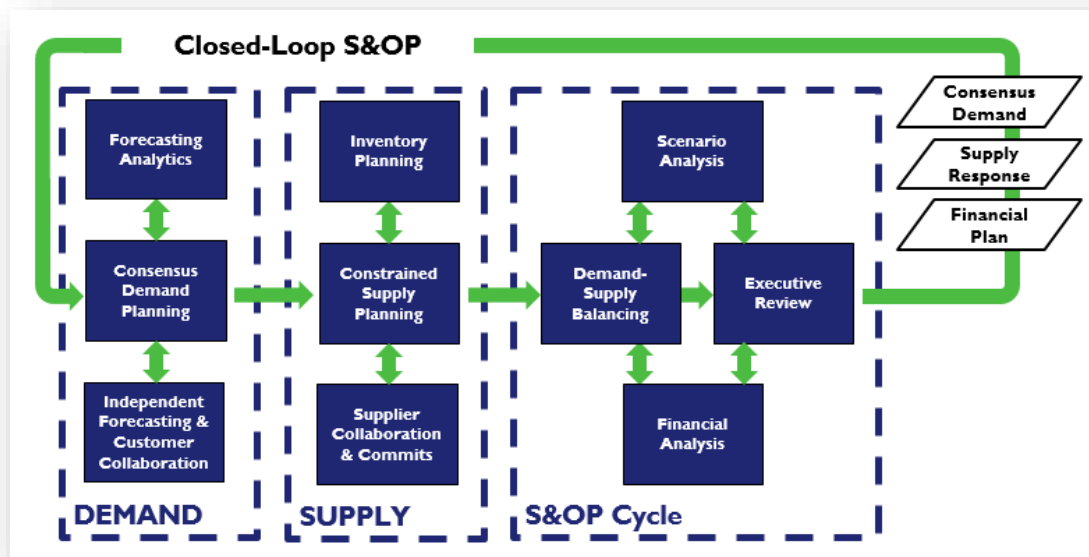
"Effective IBP provides a real-time, dynamic view of the organization as consensus forecasts become plan."

support unanticipated demand and supply events. Often times, this is a

By stage 2, or ‘Anticipating,’ a stable S&OP process is usually in place. Demand and Supply reviews are being conducted with a forecast beyond the current cycle, and an Executive Review develops a consensus with sales, marketing, and senior leadership.

IBP is meant to advance organizations beyond Stage 2 S&OP, into what we call “Collaborating’ and ‘Orchestrating.’ Our clients in stages 3 and 4 of IBP maturity are able to incorporate advanced inventory planning, performance analytics, and scenario analysis as well as incorporate information beyond their own four walls to include customer forecasts and supplier collaboration.

Depending on the industry, high-performing IBP processes provide a living feedback mechanism for companies to anticipate business needs a year or more away.



Process Performance Gaps

Across our client industries, there are consistent performance issues that are addressed by implementing IBP. Poor forecast accuracy to near-term demand often causes either too much inventory or missed sales. Disconnected planning processes and targets are often the root cause.

Poor policy alignment across financial objectives, customer service targets, and inventory goals often cause a mismatch between supply and demand among product families. These “knee-jerk” reactions are costly and can lead to excesses or shortages.

From the user perspective, we have seen companies attempt to establish an IBP process, only to find that users ignore tool outputs and revert back to using manual, historical methods. This lack of confidence in the process can be caused by a number of factors including a lack of understanding of the “why” behind the “what,” or an over-reliance on top-down mandates based on strategic goals rather than a collaborative input process.

Although these typical performance gaps are common, with a combination of strategic alignment process definition and the right tools, most organizations are able to overcome such challenges.

SAP IBP as an Enabler

There are a number of advanced planning tools that enable Integrated Business Planning processes. Historically, a combination of planning tools, such as ERP, and Excel-based reports enable S&OP or IBP for companies in the earlier stages of the maturity curve with varying degrees of success.

One specific tool we will mention here is a suite of applications by SAP that bear the same name- IBP. SAP IBP is a next generation cloud-based set of tools that serve to augment core planning applications that may already be in use such as APO. It's important to mention that SAP IBP does not replace APO, however, by using in-memory computing powered by the HANA™ database, SAP 's IBP enables quicker (rapid) collaboration consensus building and contains advanced capabilities that support a mature Integrated Business Planning process.

The SAP IBP tools is a “next level” solution to enable advanced IBP business processes. Functionality such as “What If” modelling, dollarization of forecasts, aggregate planning, and metrics management are all faster than previous generations of planning solutions.

The Software as a Service nature of SAP IBP provides for increased functionality to be delivered via the cloud, allowing for a greater ease of deployment. In the past, consensus forecasting and collaboration among departments and locations required a long and expensive implementation. Spinnaker frequently recommends to clients an IBP solution such as SAP's applications because of its lightweight implementation and impressive functionality. Our consultants warn against over-engineered solutions, preferring simplicity to enable World Class IBP process.

Benefits of Best-in-Class IBP Implementations

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- 14% increase in operating margin
- 4% increase in gross margin dollars
- 55% reduction in inventory write-offs
- 17% increase in new product revenues
- 35% reduction in lost sales

Source: Aberdeen Group

Get Started Today

Take an honest look at where you may be on the IBP maturity curve. Knowing where you want to be is the first step in moving your organization forward. While it may seem like an insurmountable task to change such a cross-functional process, the team at Spinnaker brings decades of experience in IBP

process, the technology and tools that enable it, and the change management steps necessary to be successful.

Spinner offers several options to help you leverage/get started with IBP such as a Detailed

Assessment, Fit/Gap Analysis, or a Proof of Concept which all drive to a detailed roadmap that enables your organization to successfully move down the IBP path.

Assessment and Fit-Gap Analysis

One common approach is to conduct an assessment to understand what processes, roles and responsibilities, and KPIs are in place. A gap analysis is a logical next step to begin to develop an improvement roadmap to move your organization up the maturity curve.

Proof of Concept

Another option is to demonstrate a proof of concept using SAP IBP or a similar tool. By loading a subset of your real data into a demo system, your team can quickly determine exactly how a tool like IBP can deliver value. Jumping to a virtual demo may also expedite the requirements gathering process in real-time, and provide a benchmark from which to evaluate other options.


We encourage you to start by having a conversation with our team to hear more about our experience, and to discuss ways that supply chain transformation and Integrated Business Planning can take your organization to the next level.

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

About Spinner:

Spinner 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. Spinner 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, Spinner has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

Contact Us:

 [Phone: 877-476-0576](tel:877-476-0576)

 [Email: info@spinnakermgmt.com](mailto:info@spinnakermgmt.com)