

WHITE PAPER

What is Integrated Business Planning?

Businesses run on plans but cannot run effectively on uncoordinated planning efforts. While each function – supply, demand, finance, sales and operations – makes its own plans, siloed planning using spreadsheets or BI tools is prone to errors and slow decisions. These can become major issues in supply chains, where disruptions can alter one or more plans, and timely response is business critical.

Anaplan



What is Integrated Business Planning?



With supply chain disruptions making headlines, no business can really afford to operate to disconnected plans. Integrated business planning (IBP) directly addresses this problem, connecting systems, data and planning across business functions with a unified experience, common evidence and coordination that make better, faster decisions possible. This integration of business plans gives organizations the essential coordination and agility they need to deliver the higher revenue, profit and speed that has often eluded them.

All businesses create plans, and most start with an annual operating plan, which outlines activities and targets that the organization should execute to work toward the aims and objectives set out in the company's strategic plan. These plans set out financial, human resource and supply chain goals and oftentimes the leaders of these organizations will create independent plans for financial goals vs. workforce or supply chain goals. If these plans are executed independently, it can quickly become challenging and time-consuming to reconcile performance in monthly reviews.

Enter Integrated Business Planning: The primary objective of IBP is to align these often-separate plans prior to execution, keep them aligned over time and measure their performance. While it may sound trivial, this concept needs to extend into these leaders' organizations end-to-end and top to bottom. Therefore, the scope of IBP is both broad and deep, requiring close collaboration within and across business units

and often between companies (e.g., suppliers and customers).

Connecting Plans to Operations: Aligned plans must be propagated to each business unit and its operating units' plans through coordinated systems and approval processes. In a manufacturing organization, for example, a business unit may have receiving operations, manufacturing operations, distribution and fulfillment operations. It is critical to performance that these plans and the associated changes are communicated and adopted in a timely manner.

The reverse is also true once plans are put into execution. Changes in execution (very relevant examples are abundant in today's world, with shipping port backups and commodity price increases) must propagate back to planners at the specific level they are taking place and then move through planning hierarchies for continuous improvement of plans.

Considering how many stakeholders are involved in IBP, there are lots of moving parts that can be difficult to implement. However, there are best practices implementation approaches to address this complexity, where the return on invested time and process discipline that comes with IBP can be substantially transformative. At a minimum, IBP protects against supply chain disruptions with high visibility, better decisions and coordinated effort.

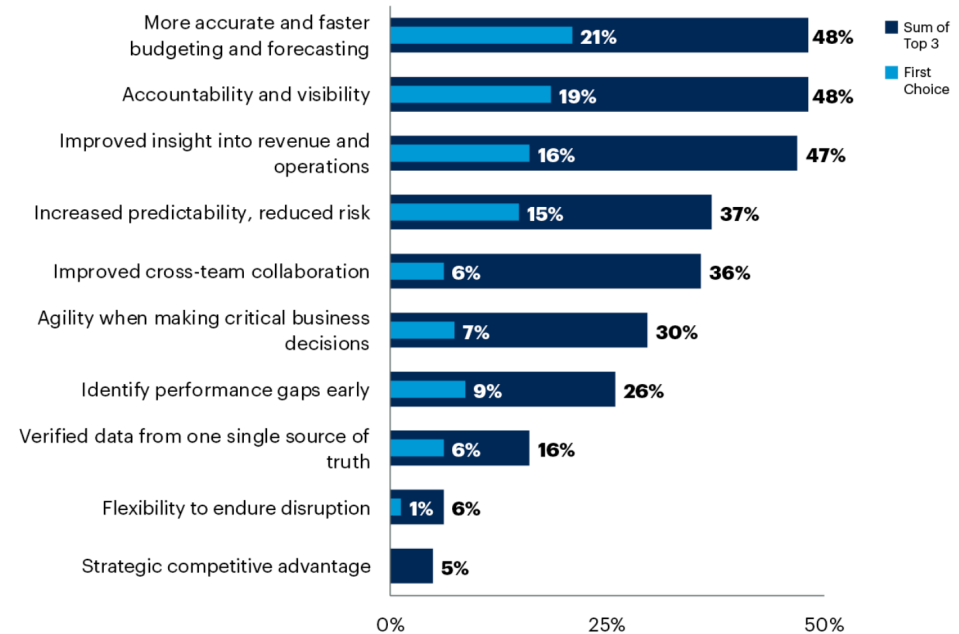
The benefits of integrated business planning

By adding deeper visibility into key business planning and operations, IBP aligns decision and action across its integrated business functions. Visibility yields business agility, and this is key to the better decisions needed for effectively responding to changes in business conditions.

For the chief supply chain officer (CSCO), IBP delivers unprecedented visibility across interdependent business functions, their planning, and their impact on supply chain plans and operations. Greater visibility and alignment across planning functions in turn yields more accurate forecasting, predictability and cross-team collaboration—all resulting in higher operational agility to make fact-based decisions, adapt and execute faster in changing business conditions.

According to Gartner’s executive survey, IBP’s benefits are visible throughout the organization in the form of speed, accuracy, predictability.¹

Top Benefits of Integrating and Aligning Financial and Operational Plans



n = 81 all respondents; excluding “Not Sure”

Q: What are the top 3 benefits that your organization has achieved from integrating/aligning financial and operational plans?

Source: Gartner 2021 Extended Planning & Maturity Analysis

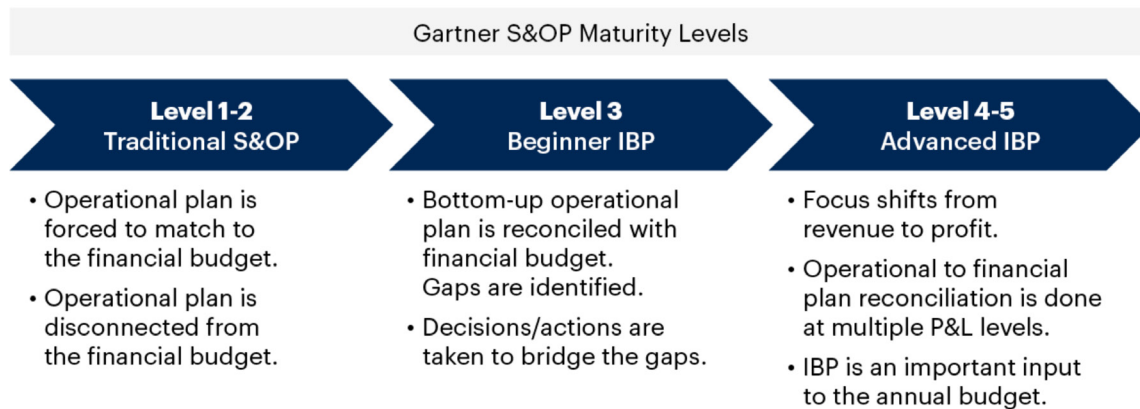
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¹Gartner, Future of Finance Extends FP&A to Include Operational Planning, Robert Anderson, Melissa Hilbert, Greg Leiter, 25 August 2021.

While some benefits come immediately, others accrue as the IBP implementation matures. This fact also can take the initial shock out of adoption, since it can be taken on incrementally with the organization’s readiness and comfort level. The CSCO may already exploit the benefits of IBP if a well-run Sales & Operations Planning (S&OP) process is being executed. S&OP is designed to balance demand plans with supply plans to reach a consensus plan for each business units’ execution.

The required coordinated systems and collaboration and approval processes will be active. Gartner® provides Gartner S&OP Maturity Levels and Its Implication to Operational-Financial Alignment so important to the CSCO.²

Gartner S&OP Maturity Levels and Its Implication to Operational – Financial Alignment



Source: Gartner
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The coordination of planning extends beyond the CSCO to include other stakeholders in the executive suite. What benefits the CSCO also makes the chief financial officer’s (CFO) job, for example, easier too. Oliver Wight explains the benefits for the CFO specifically:

² Gartner, “Integrated Business Planning: Defining the Role of Finance”, Nisha Bhandare, 7 January 2022. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally and is used herein with permission. All rights reserved.
³ IBP from the Eyes of a CFO Part 1 – Covenants of Performance – Oliver Wight

“The beauty of Integrated Business Planning (IBP), from the vantage point of a Chief Financial Officer, is that it empowers business teams to take responsibility for their own targets, projections and strategies. Monthly IBP reviews release the CFO from the burden of diagnosing and explaining fiscal health, and instead place this responsibility in the hands of a sought-out business advisor.”

— Oliver Wight ³



Beyond the CFO and CSCO, chief human resource officers (CHROs) will certainly appreciate any solution that brings foresight and stability to their workforce planning processes. As the implementation matures, more wins for more stakeholders materialize.

Ultimately, few individuals desire to play the role of drill sergeant. Most team members want to be part of a collaborative, successful enterprise that IBP helps create. Key success factors to executing integrated business planning are sophisticated technology support for collaboration, data management and decision support along with process discipline.

Overcoming resistance to IBP adoption

With today's business climate of major disruption, uncertainty and growing complexity, integrating business planning and operational performance has become an imperative. Research has consistently demonstrated that alignment of plans across business functions is the best way to assure an organization's ability to respond fastest to business conditions to gain revenue, profit and market advantage.

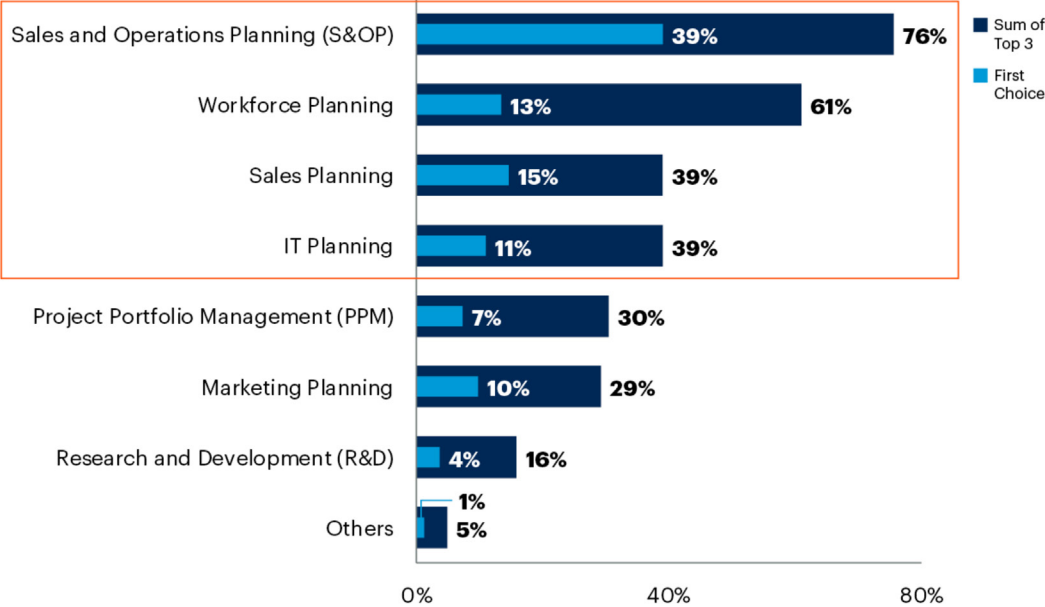
Yet, most organizations continue to rely on legacy approaches such as standalone spreadsheets and often subjective interpretation to make critical decisions and evaluate their effectiveness. Gartner found that most decision makers still rely on spreadsheets and similar tools to plan:

“Nearly half of survey respondents (47%) state that their organizations are using and/or plan to use Microsoft Excel or business intelligence (BI) tools to help them integrate and align financial and operational plans over the next three years. IFP (42%) and IBP (28%) are the top approaches taken. Those surveyed from organizations with no formal strategy for collaborative enterprise planning showed a higher tendency to use Excel and BI tools for planning (63%) versus those with a formal strategy (35%).”

IBP has demonstrable benefits over spreadsheets and similar BI tools, but they present a significant change over the status quo, and that brings resistance to adoption. Seeing the benefits of integrated business planning, knowing where to start can be a major barrier to adoption.

The two greatest issues cited initially as barriers to IBP adoption are determining the business planning functions to prioritize and overcoming the challenges of legacy technologies and poor data. On the first challenge, setting the priority of business functions to integrate, a 2021 Gartner survey of finance executives highlights the importance of aligning Financial Planning and Analysis (FP&A) with Sales and Operations Planning (S&OP) at a minimum. The report charts the top priorities for executive respondents:

Top Areas to Align With FP&A Are Sales and Operations Planning (S&OP), Workforce, Sales and IT Planning
Integration/Alignment With FP&A



n = 82 all respondents; excluding "Not Sure"

Q: What are the top 3 areas of operational planning that your organization has aligned/integrated or plans to align/integrate with financial planning and analysis (FP&A) over the next 3 years?

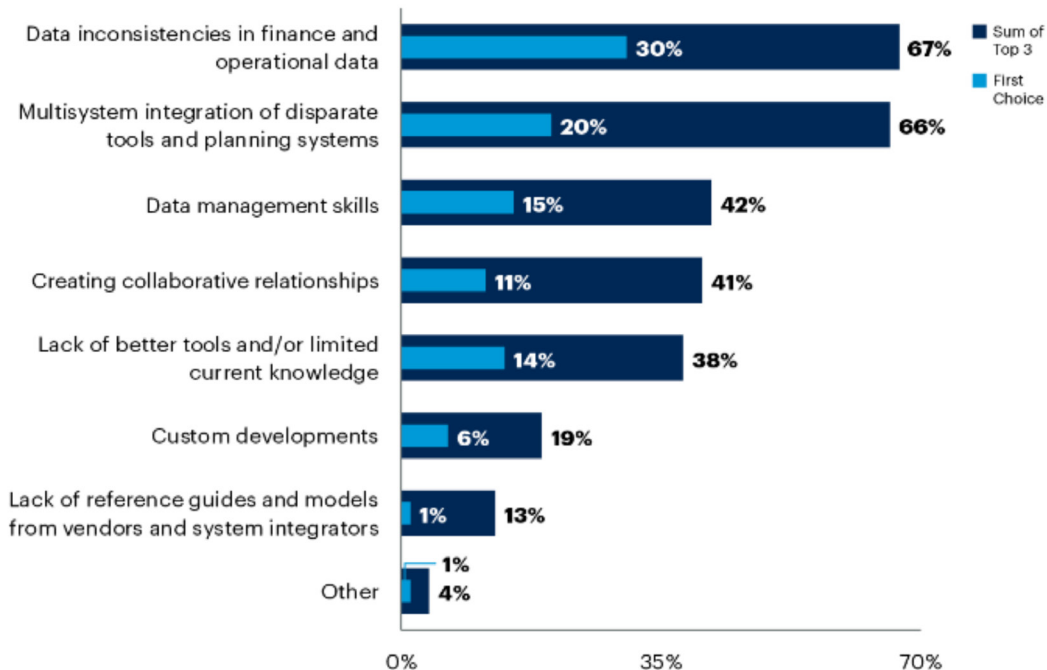
Source: Gartner 2021 Extended Planning & Maturity Analysis
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Once functional areas for IBP have been identified, respondents cited data as the second major challenge to its adoption. “Data” can be a complex set of problems not easily reduced to a single cause or solution. Often organizations have volumes of similar data in different systems or lack the skills or tools to integrate them effectively. The data integration challenges most often facing IBP adoption look like this:

Top Challenges of Integrating and Aligning Financial and Operational Plans



n = 79 all respondents; excluding “Not Sure”

Q: What are the top 3 challenges that your organization faces in integrating/aligning financial and operational plans?

Source: Gartner 2021 Extended Planning & Maturity Analysis

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Increased use of integrated business planning will drive the collaborative relationships, reduce the data inconsistencies and data management skills. An IBP solution offers several key capabilities in its adoption, including the right technology, as well as the expertise and support for integrating the data and systems on which effective business planning relies.

Adoption of connected planning technology inclusive of AI/ML and workflow automation provides the modern capabilities required to accelerate and continuously improve the process. Working with an IBP provider with the right skills, experience and resources for effective data cleansing and integration helps realize the full benefits of the technology. Together, these capabilities help most successful organizations overcome the biggest barriers to realizing the benefits of integrated business planning.

Connecting planning to enable IBP

The primary goal of planning is to make fact-based decisions with accurate and timely supporting information. For most companies this information is distributed in multiple systems across the enterprise. Along with process design and discipline, it's important find technology to support the 'integrated' element of IBP which isn't just defined by data integration.

Business plans need to be developed and communicated horizontally and vertically throughout the business, crossing divisions and even organizational boundaries. Examples of best practices include:

- Establishing IBP as the hub between corporate strategic/annual operating plans and division/functional operating monthly plans
- Aligning revenue, product and market strategy with S&OP and Sales & Operations Execution (S&OE)
- Extending demand and supply planning to include key customers and suppliers
- Ensuring execution challenges provide visibility and context to decision processes and planning leaders

As important as supporting this information flow is the timing of this flow - plans are considered across multiple time horizons and decision support is required persistently based on new developments. This connected nature of organizations, information flow and decisions must be reflected in supporting technology.

Establishing world class integrated business planning is a journey. Some companies start working horizontally based on meeting strategic customer objectives like on-time/in-full delivery, which depends on aligning customer plans and orders with distribution, inventory, manufacturing and suppliers. Others work divisionally or geographically, based on the importance of vertical alignment of operations and strategy of those organizations. The most important step is the decision to tackle the challenges with partners in technology and process you trust.

Anaplan introduced the connected planning platform and technology in 2005 and has continued to innovate the platform for key business functions in supply chain, finance, sales & marketing and workforce management.

²Gartner, "Integrated Business Planning: Defining the Role of Finance", Nisha Bhandare, 7 January 2022. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally and is used herein with permission. All rights reserved.

³IBP from the Eyes of a CFO Part 1 – Covenants of Performance – Oliver Wight

Key connected planning capabilities used in integrating business plans include:

- Establish models reflecting organizational design and supply chain network structure
- Plan propagation, alerting, collaboration and visibility across and within models
- Capture connections and patterns in execution to record learning and expertise
- Unlimited multidimensional planning scenarios to drive timely decisions and consensus plans
- State of the art hyperscale computing to better understand drivers of change and react within planning lead times (e.g., plan to actual performance).
- Automation of business process and decisions as required
- Inclusion of key planning functionality including multiple forecast methods, ability to segment demand and/or supply, optimization capabilities for capacity and inventory, generation of material and capacity requirements and production schedules
- Ability to adopt machine learning through pre-built solutions for forecasting or custom build solutions as required