



White Paper

Integrated Business Planning - Driving Business Action with Agility

OneStream & Finext



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Introduction

Global enterprises are operating in a new world. Uncertainty from Brexit, US–China trade and fear of the next recession are impacting demand in ways not yet understood. Business leaders also constantly face new complexities and challenges in meeting customer expectations – adding risk to financial plans. In response, organizations are innovating their planning and corporate performance management (CPM) processes to anticipate, analyze and adapt to change.

Many organizations adopt traditional Sales and Operations Planning (S&OP) as a tactical process to align production with unit volume forecasts¹ (e.g., demand). More recently, enterprises across all industries are taking S&OP a step further toward integrated business planning (IBP). IBP aims to align financial and tactical goals across the entire organization in order to execute business strategy.

Integrated Business Planning Defined

Often driven by senior leadership, IBP is a management framework designed to align planning with execution and to create focus between finance, sales, operations, marketing and HR. With full organizational engagement, IBP goes beyond traditional S&OP – it also incorporates what's happening outside the company with competitors and consumer trends in order to develop organizational strategy. Once strategy is developed, leadership implements a continuous IBP cycle to review and analyze financial results and compare actual results with detailed operating plans across the entire organization to understand risks/opportunities and develop action plans.

As the role of modern CFOs and finance teams expands, many see IBP as a natural way to develop and encourage recurring business partnering and cross-functional communication to align financial and operational plans as a team. At its core, IBP addresses 3 critical management questions (see figure 1):

1. **What will we sell?** What products or services, and to what customers? In what region? When, and how many? Is marketing required to assist?
2. **Can we supply it?** What are the current capacity, staffing and logistical concerns, if any, and what changes are required to meet demand and sales plans?
3. **Will we make money?** What is the impact on the price and profit margin vs. the budget and prior year? What is the impact on the 13-week cash flow forecast?

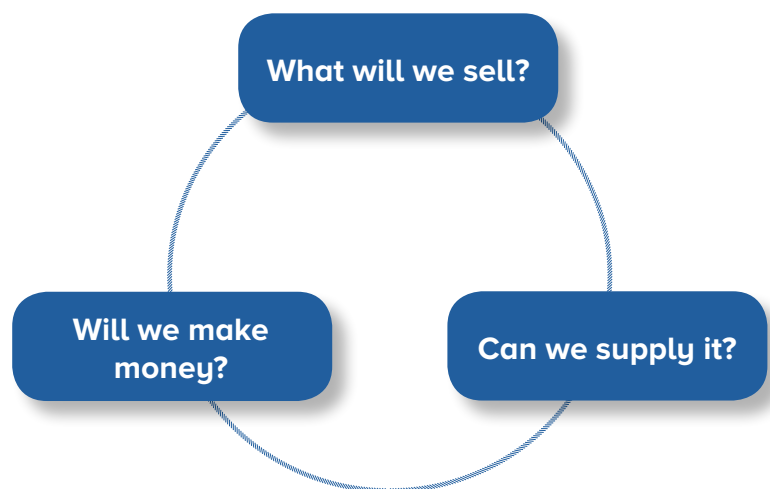


Figure 1: Integrated Business Planning Management Questions

1 https://en.wikipedia.org/wiki/Sales_and_operations_planning

Today's Business Planning Challenges

For sophisticated enterprises with multiple product offerings and globally dispersed functions, IBP is critical. Without it, organizations are slow to react to or anticipate changes in the business – impacting their ability to keep up with competitors and causing additional business challenges. Such challenges include the following:

- Difficulty aligning key executives and stakeholders
- Lack of business agility
- Siloed decision-making
- Negative impact to business performance
- Slow to adopt modern technology

Difficulty Aligning Key Executives and Stakeholders

One key responsibility for CFOs and finance leaders is to create alignment across the enterprise. Externally, CFOs create alignment with shareholders, creditors, analysts, media and others on financial goals and how to achieve them. But this alignment is only one part of the equation. To build a complete business plan and story for earnings growth/stock price or attain new debt, CFOs must develop an internal plan and ensure each part of the organization has clear goals and objectives – and that those goals and objectives are aligned to each other enterprise-wide.

Modern CFOs and finance leaders are responsible for more than just numbers. They also enable the business with data for analysis. Many take this even further by directly redeploying resources from finance into the lines of business to support business leaders in sales, marketing, operations, HR, etc. Finally, modern CFOs must be leaders in enabling collaboration between the executive team members and the entire organization. For these reasons, many CFOs and executive teams are turning to IBP (see figure 2) as a natural management framework to drive collaboration and build internal alignment. At the foundation of the IBP framework are a few critical elements which are noted below:

- 1. Separate the budget from the recurring forecast process** – The budget represents an annual target and the forecast is a “check” on progress vs. the target.
- 2. Monitor the business drivers with detailed analysis** – Where applicable, leverage a systematic approach like predictive analytics.
- 3. Leverage operational plans and business drivers as the starting point for financial plans** – ensure all financial goals are grounded with underlying business plans.
- 4. Implement a formal business review meeting with executive groups and each function** – create a consistent timeline for recurring meetings that includes all critical functions from across the organization.

5. **Provide a culture of discipline, openness, collaboration and confidence** – set clear expectations on the types of questions and business analysis business leaders should be prepared to answer during business reviews.

As figure 2 illustrates, IBP is a recurring process to develop organizational strategy, translate strategy to financial plans, align financial and business plans, and analyze progress.

Framework of Integrated Business Planning

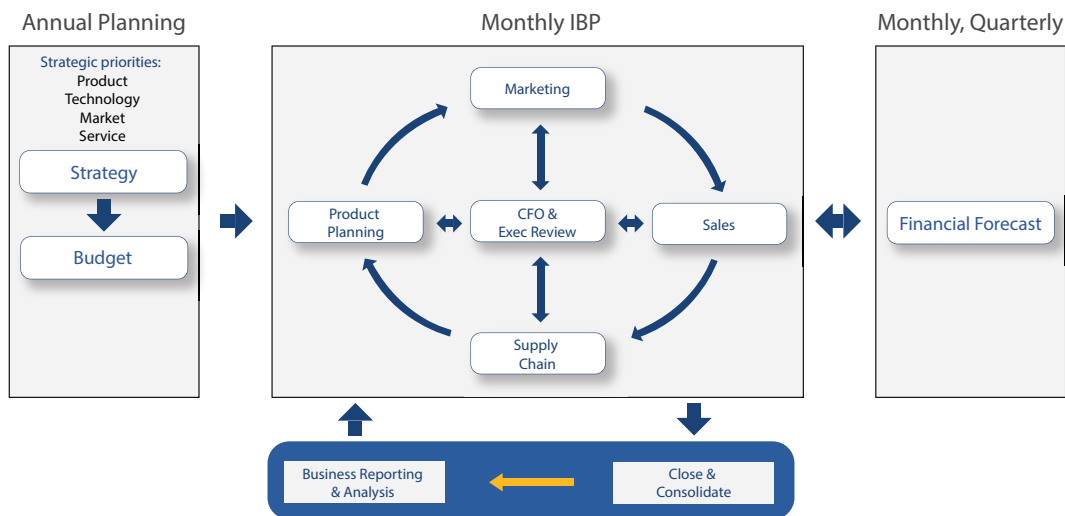


Figure 2: Finext Integrated Business Planning Management Framework

For IBP to be effective, finance leaders must develop internal alignment with business partners to translate financial goals into specific operational actions the organization can execute against. Here are some of the key questions that need to be answered:

- **Sales Planning:** How do revenue goals translate into sales plans for certain products or within certain regions?
- **Product Planning:** Are net new revenue goals driven by changes in product volume or price?
- **Marketing:** What marketing initiatives are required to achieve new revenue goals and enter new markets?
- **Supply Chain:** Does the operation have capacity to support new product volumes?
- **All Functions:** What staffing levels are required to handle new volumes and/or sales territories?

With great collaboration and communication, IBP helps answer these critical questions and more. Externally, finance leaders leverage IBP to share financial forecasts and supporting business plans with stakeholders – demonstrating a depth of knowledge for their business while building credibility.

Lack of Business Agility to Respond to Change

One main reason CFOs and finance leaders are shifting investment from the back office to the front-line business partnership positions is to create agility. There is no substitute for speed within a business, especially as it relates to outpacing competition on pricing, new products and strategic decisions. IBP is a requirement to monetize the impact of operational decisions into a financial impact – which is what CFOs and/or executives must evaluate. Without an IBP process, finance and operational executives will be slow to act – resulting in missed business opportunities.

As a management framework, IBP helps close the loop between financial goals and business plans by creating frequent business reviews among finance executives and key leadership to review results and adjust plans – enabling the business to stay agile and react to changes in the business and customer demand as quickly as possible.

At the scale of a global business, lack of agility can compound and become an enterprise risk factor throughout the entire organization. Without agility, executives will struggle not only to develop strategy but also to translate strategy into functional goals. And without clear functional goals, business units are at risk of acting in their own self-interests and make decisions without taking into the account the broader organization.

Siloed Decision-Making

According to Ventana Research², only one-third of executives and managers communicate strategy and objectives well. Further, only 50% are good collaborators. According to the same Ventana Research study, less than 50% of leaders reported that they have a general idea of how their departments impact the broader business. Without proper communication and collaboration, functions can quickly turn into silos. Financially, the implications of siloed decision-making can be felt immediately.

For example, what happens when a new product order is made, but not in the plan and not communicated to business partners? To further illustrate, consider the impact to a manufacturing operation – where shop floor leaders may need to increase production, increase staff to meet that production demand or move a current order backward to accommodate. What happens then? Without proper communication and collaboration, there are several risks:

- What is the incremental cost and impact to profit margin to handle a new production run?
- If the company cannot find and onboard new labor in time, is there risk to the customer order and future revenue?
- If an existing customer order needs to be pushed back, what is the impact to customer service levels?



Culturally, the impact of siloed management can cause functions to withhold information from each other and create a drag on productivity. Longer term, “silo mentality” can also lead to resentment and cynicism among the teams – which impacts morale and may cause employees to seek employment elsewhere. Unfortunately, siloed management is often a direct reflection of executive leadership’s own lack of communication and collaboration. With a broad vantage point across the entire enterprise, CFOs are in a unique position. In fact, modern CFOs and finance teams are expanding their leadership roles to help break down barriers.

To accomplish this, many leverage the IBP framework to create a strategic forum, such as quarterly business reviews (QBRs) for recurring communication and collaboration between executive team members and functional leadership. This type of forum can be powerful in many ways. First, the forum provides a formal opportunity to review financial and business results. Additionally, the forum enables the expanded leadership group time to work together as a team to integrate individual functions to align with the company’s goals. The executive team members then leave the meeting with a clear set of goals and associated tasks to share with their own leadership and field teams to execute against.

What Is Not Measured Is Not Managed: Planning Directly Impacts Performance

According to the Aberdeen Group³, 30% of all companies are considered laggards vs. their peer group with the adoption of IBP – causing a direct impact on company performance.

Organizations that fail to align financial plans with operational plans will struggle to be agile and forecast well – and will likely operate in silos. Financially, the impact can take many forms that impact both profit and cash generation:

- **Excess inventory** from over-forecasting, which impacts the cost to manage inventory (e.g., inventory holding costs) and working capital
- **Lost sales and revenue** from under-forecasting. To meet customer demand, products must be in the right place at the right time
- **Lost profit** from under-forecasting and rush shipments. To meet customer demand, companies may rush product shipments at a higher cost than planned



Slow to Adopt Modern Technology

For sophisticated, global enterprises, IBP requires investment to achieve maximum benefit for management, financial and line-of-business resources. As finance departments transform, front-line business partners should spend as much time as possible on strategic decision support and analysis, and less time on mundane tasks. Unfortunately, many sophisticated enterprises still rely on legacy applications and spreadsheets to manage business planning efforts – which can cripple productivity and effectiveness. The impacts include the following:

- Too much time spent administering, managing and integrating siloed applications
- Error-prone spreadsheets are often used to fill gaps, support critical financial processes
- Lack of agility in budgeting and planning, reliance on static budgets
- Need to plan and forecast at the right level of detail at business units vs. corporate
- Difficulty aligning business planning and forecasting to actual financial and operating results
- Management lacks timely access to financial and operating results

To address these risks, CFOs and finance leaders are turning to purpose-built software solutions to technically enable IBP – offering the business packaged applications to support recurring planning processes across key functions. In fact, Ventana Research⁴ confirms that organizations that integrate business planning between finance, sales, marketing and operations are more satisfied with their planning process than those that do not.

It's About the Business Not Just the Budget

While many companies are adopting purpose-built software to enable financial planning – integrated business planning requires advanced features to achieve maximum results. Consider the Ventana Research Next Generation Business Planning Benchmark Research, which is illustrated in figure 3 on the next page. Despite billions of dollars of investment in CPM tools, 50% of respondents reported that they get little value out of their financial planning processes. Though technology investment has improved finance's ability to manage planning activities, Ventana Research findings suggest that users want more – to talk about the business and not just the budget.

Compare this to figure 4, where 67% of the respondents who directly link financial and business planning reported that their planning processes work “well or very well.” The implications of this research are clear – financial planning in isolation from other critical functions limits the value to the broader organization. By leveraging technology to integrate business plans, finance can technically enable critical dialogue among executives and business teams to develop strategies and drive key decisions – creating organizational alignment in parallel.

4 Ventana Research: “Let's Talk About the Business Not Just the Budget”

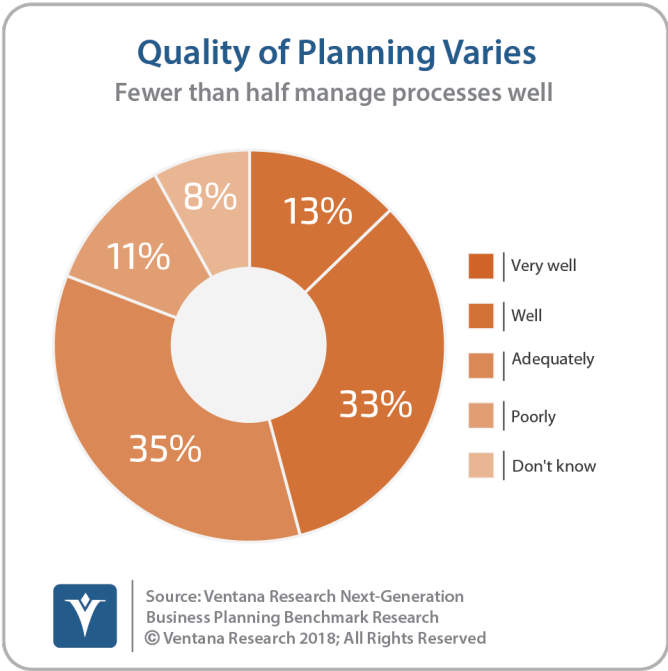


Figure 3: Quality of Planning



Figure 4: Integrated Planning Works Better

By taking on this important role, CFOs and finance teams are expanding their influence and embracing the leadership modern enterprises require. In contrast, finance leaders who work in isolation are often perceived negatively and lose credibility as a business partner – which also impacts the broader finance function. As CFOs and finance leaders evaluate an integrated planning framework, one critical element is to learn how potential technology investment will help align the operation by enabling collaboration among the key functions. For sophisticated global enterprises, software that cannot scale across the business and enable real-time collaboration should be quickly removed from the evaluation.

Selecting the Right Tool for the Job

While spreadsheets are often the tool of choice for planning and forecasting, purpose-built software applications provide more process control and overcome the errors and risks inherent in spreadsheets. Many point solutions for budgeting, planning and forecasting are on the market today – but do little to align financial results with operational plans. Instead, users are often left spending time moving and reconciling data between modules vs. analyzing the business. This is because point solutions are fragmented in nature – meaning that data for actuals, budget, forecast and operations live in different systems. Because financial and operational data is not unified – users typically must work “offline” to create reporting and presentation material for business partners. Further, because data is often moved between systems, users are at risk of working with latent data that can be stale by the time the data makes it through the analysis. The table below depicts the trade-offs between spreadsheets, point solutions and unified platforms for IBP.

Successful IBP requires real-time collaboration between finance and business leaders to review assumptions, understand scenarios and proactively plan the business. As a management framework, IBP enables executives to align financial strategy and goals with operational plans and execution. By definition,

IBP is unified – not a series of “connected” business plans. Why should the supporting technology be any different? For sophisticated global enterprises, IBP requires a robust platform to unify financial plans and forecasts with operational plans and enable collaboration between all functions of the organization.

System	Pros	Cons
Spreadsheets	Cheap, Familiar, Flexible	Lack Scale, Version Control, Auditability
Point Solutions	Purpose-Built Functionality, Enhanced Collaboration, Automated Process, Reduced Errors	Maintaining and “Connecting” Data, High Cost of Ownership, Lack Extensibility
Unified Platform	Broad Functionality, Alignment of Finance and Operations, Extensible, Enhanced Collaboration, Reduced Cost of Ownership, Enterprise Scalability	Potentially overkill for a small to medium business

Leveraging a platform (see figure 5) approach vs. point solutions comes with many benefits. Here are just a few:

- **Unify and align** corporate plans and forecasts to more detailed operating plans
- Support more agile planning, such as **rolling forecasts and driver-based** plans and scenario modeling
- Enable **real-time** collaboration and communication
- Deliver **return on investment** by lowering cost of ownership and business value creation

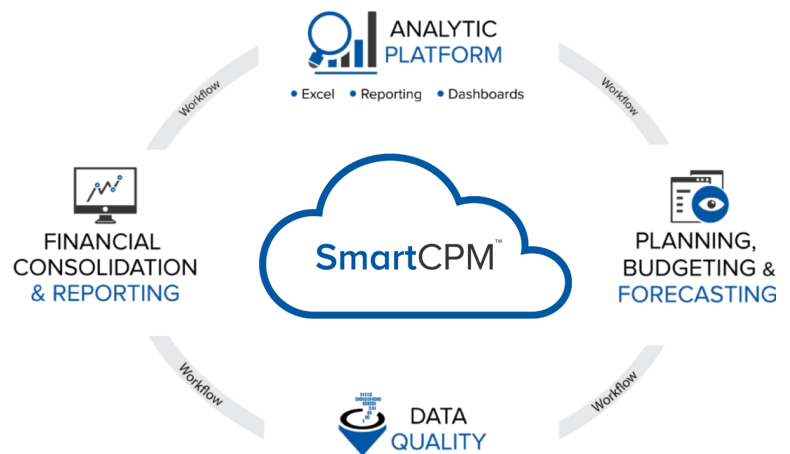


Figure 5: Platform Approach for IBP

Key Requirements for an Effective IBP Platform

IBP requires organizations to align and unify financial goals and strategies with detailed sales, operations, marketing and HR plans – creating accountability across the entire organization on critical initiatives that are required to achieve corporate goals. By leveraging a modern, unified platform, business leaders will have a clear advantage vs. using fragmented point solutions. To achieve optimal return on investment and benefits, CFOs and finance leaders should consider the critical key platform features that are required to support effective IBP:

- **Extensibility:** An extensible platform for IBP enables sales, product management, marketing and operations to plan at a granular level, such as a business driver, while still adhering to a corporate standard for consolidated reporting

- **Data Blending:** Data blending aligns both cube and relational database technology to IBP processes by enabling users to develop operational plans that dynamically impact financial statements in real-time
- **Financial Data Quality:** Financial data quality adds depth to variance analysis and business insights by providing transparency and drill-through back to source systems and guided workflows to ensure accuracy when moving data between source systems
- **Purpose-Built Applications for Sales, Operations and HR:** Generate value for all IBP business partners with specialty applications to capture plans at the opportunity level (sales planning), by capital project (operations) and with detailed human capital data (HR)
- **Flexible Reporting and Analysis:** Once detailed plans are complete, finance and business leaders can build scenarios, conduct sensitivity analysis and leverage dashboards to align financial and business plans for IBP executive reviews

With the right platform in place, modern finance leaders are elevating their CPM processes to IBP – adding further depth and agility to strategic business partnerships across the entire organization. Moving to IBP creates a more collaborative environment and formal discussion forum to align financial goals with detailed product, operational and supply chain plans – enabling the organization to quickly identify and resolve potential customer and supply chain risks with real-time scenario analysis and decision-making. For additional examples of how sophisticated global enterprises are leveraging a unified CPM platform to support IBP, please refer to the two case studies below.

Case Studies: Integrated Business Planning at Work



Guardian Industries is a \$4B diversified global manufacturing company with leading positions in float glass, fiberglass insulation and other building materials for commercial, residential and automotive applications. Headquartered in Auburn Hills, Michigan, Guardian, its subsidiaries and its affiliates employ 18,000 people operating in 25 countries across 5 continents. Having already implemented a new CPM platform for financial consolidation, reporting, tax provision and forecasting – Guardian extended its use to support IBP through the implementation of a purpose-built application for people planning and a driver-based planning process for key lines of business.

Driver-based planning is an especially powerful component of IBP for companies in the manufacturing, retail and consumer goods space – enabling the business to plan for the key factors that physically drive the business, such as specific products and/or plant-level volumes, price changes and mix. Further, because operational and financial data all live together in one singular application, Guardian can trace the movement of inventory, material costs and product volumes across the internal supply chain in real-time during its planning process.

For Guardian's finance team, its CPM platform technically enables IBP with a collaboration platform to align operations with financial plans and eliminate the need to worry about managing multiple systems and spending time integrating and reconciling data. Instead, leaders can appropriately maximize their time to work with the business to manage inventory turns and material costs and deliver shareholder value.



Dril-Quip is one of the world's leading manufacturers of offshore drilling and production equipment primarily used in deepwater applications. With operations in the United States, Brazil and Singapore, Dril-Quip's manufacturing is vertically integrated, meaning that certain products can be initially manufactured in one location and then transported to another location to be finished and/or sold. Like in other sophisticated enterprises, these intercompany transactions must be accounted for appropriately for financial consolidation and external reporting purposes. Such transactions can also make it difficult for organizations to effectively manage cost and inventory throughout the internal supply chain.

After leveraging its unified CPM platform financial consolidation, Dril-Quip extended its investment to meet all its financial reporting and planning requirements in one application – including an 18-month global rolling forecast, sales planning, people planning and capital reporting. With seamless integration between finance, sales, HR and operations, Dril-Quip leverages its extensible platform to enable the business to plan for its diverse needs without compromise. Every quarter, each departmental manager enters various global drivers to plan for revenue, salary, depreciation and expenses with full visibility into financial impact – ensuring business leaders can hold their teams accountable and build alignment to overall financial plans and company strategy.

Conclusion

CFOs and finance leaders are operating in uncertain times. As a result, many are evolving the CPM process to leverage IBP to drive organizational collaboration and align financial and operational plans. For sophisticated, global enterprises, IBP requires a technical solution that is flexible and scalable across the entire organization while enabling the business to plan without compromise – giving the organization several benefits. Here are a few of the benefits:

- **Unify and align** corporate plans and forecasts to more detailed operating plans. Dynamically link business initiatives to financial statements with complete drill-through ability
- Support more agile planning, such as **rolling forecasts and driver-based** plans and scenario modeling
- Enable **real-time** collaboration and communication between finance and functional leaders in the lines of business, sales, marketing, operations and HR. Make recurring executive reviews actionable
- Deliver **return on investment** by lowering cost of ownership and business value creation. Download and deploy purpose-built business and productivity applications without incremental cost, and reduce license costs associated with multi point solutions – generating incremental return on investment as business needs evolve

To learn more about how OneStream supports IBP, please read our companion white paper titled “Integrated Business Planning Gets Unified with OneStream.”

OneStream Software

OneStream Software provides a modern corporate performance management (CPM) solution that unifies and simplifies financial consolidation, planning, reporting, analytics and financial data quality for sophisticated organizations. Deployed in the cloud or on-premise, OneStream XF is one of the first and only solutions that delivers corporate standards and controls, with the flexibility for business units to report and plan at additional levels of detail without impacting corporate standards – all through a single application.

The OneStream XF MarketPlace features downloadable solutions that allow customers to easily extend the value of their CPM platforms to quickly meet the changing needs of finance and operations.