Confidence in uncertain times

Integrated Business Planning

Integrated Business Planning will help achieve planning efficiencies, improve performance and better satisfy investor expectations.
Put simply, it’s about improving performance by integrating the business plans, budgets and forecasts, across functions and business units.
Introduction

We are all facing the challenge of global economic uncertainty. Many of us are finding that a more integrated approach to business planning is helping us to achieve planning efficiencies, improve performance and better satisfy investor expectations.

How can we adopt a planning, budgeting and forecasting process that helps us to maximise performance and deliver on investor expectations in a market where complexity and volatility continue to increase?

Our traditional planning processes struggle to cope with this level of uncertainty. Plans which are aligned across the business at the time of approval are soon pulled in different directions by market conditions. Plans are revised within functions and business units, the underlying assumptions begin to diverge and plans no longer dovetail across the value chain. Sales plans, for example, fail to support production planning. Separate, inefficient, and costly planning factories evolve in silos.

In today’s volatile environment the traditional approach delivers plans that don’t reconcile across the business, fail to support enterprise decisions, and make it very difficult to communicate to investors with any confidence.

Organisations that have implemented Integrated Business Planning are more adaptable. They have clarity on the planning assumptions across functions and business units, and greater confidence in the expectations they set with their investors.

These leading performers have a cycle time for forecasting of seven days compared to an average of 20 days. By adopting Integrated Business Planning we also allow ourselves the opportunity to achieve planning efficiency.

Where plans align from strategic to tactical horizons, organisations are better able to make the right decisions on the deployment of their assets and long and short term investments to maximise returns.

So how do top performers implement Integrated Business Planning and benefit from:

- Improved allocation of assets and investments
- Improved business performance
- Reduced cost of the planning process
- More accurate earnings guidance

FTSE 30 companies that provide earnings’ guidance have a 20% lower systemic risk than those that don’t.
Delivering the benefits of Integrated Business Planning

Put simply, it’s about improving performance by integrating the business plans, budgets, and forecasts, across functions and business units.

Cooperating across the enterprise is supported by the further integration of Management Reporting to include risk, as well as cost and performance. Integrated Business Planning allows us to have a common understanding of plan assumptions along with actual and expected performance. The upshot of all of this is the ability to predict and respond to market demands in a more coordinated way.

We have a choice when it comes to achieving a more Integrated Business Planning process, it can be done through a series of discrete improvements, or as part of a more strategic performance management transformation programme.

The same key drivers define our planning and reporting needs.

Leading organisations understand the drivers that have greatest impact across their business, and contribute to overall performance. These are the drivers that should define how we plan, and what we report. Understanding the opportunities and risks around these drivers is critically important so that management can focus its attention, and consequently drive a more proactive response to market changes. Focussing on what really matters helps maintain alignment across the enterprise without creating a fear of the consequences of updates and changes. It’s easy to get bogged down in the details. In many areas ‘it’s better to be approximately right, than specifically wrong’.

People respond to incentives.

Performance management must align people’s priorities to the enterprise goals. If the right incentives are in place, local measures of success will always be in common with delivering enterprise value. Commercial should plan in a way that does not diminish operational performance. What’s best for our bonus and best for the enterprise should be the same thing. Our teams must be incentivised to plan accurately, understand the likely outcomes, and target best performance.
Better data leads to better decision making, and less time being wasted debating the numbers.

Data structures and definitions need to be aligned to facilitate fast and accurate transfers of information across functions and geographies. This helps the different functions to ‘speak the same language’ and eliminates the onerous task of data transformation and reconciliation that is required to understand different plans.

Technology will deliver information faster, with less error, and can make it easy for us to model future scenarios and contingency plans.

Getting the technology right is critical for efficient and effective access to information. The right tools will enable efficient scenario modelling, which helps us predict and plan for potential events, and react on time or even better, ahead of time.

Having an integrated data and technology model that supports the planning process enables quick remodelling of budgets and gives a clear view of the impact of changes to the plan.
So, Integrated Business Planning improves performance. We’re rewarded by the investor for reliable guidance. Our focus internally on enterprise value leads to better decisions and greater agility.

The right balances of incentives eliminate plan conservatism and game playing, so that we’re able to assume that our plan describes a likely outcome.

By focusing on key drivers of performance we are able to plan in a more efficient way. By dealing across the organisation, with a manageable set of plan assumptions, we can more readily respond to change and uncertainty.

Good management information and effective technology gives us clear actual status and a good forward view of performance. Monitoring the key assumptions, the risks and opportunities in relation to our key drivers, and using scenario modelling tools, allows us to make good decisions, and respond to our turbulent markets proactively and ahead of the competition.

An evaluation of your current planning approach can be a cost effective first step towards improvement. Often a few simple tweaks can deliver significant benefits. It’s important to understand where to focus your efforts for the best return.

Through incremental changes or the strategic transformation of your planning process, Integrated Business Planning will help achieve planning efficiencies, improve performance and better satisfy investor expectations.

So, what?

‘Organisations that incentivise accurate planning see dramatic improvements in plan and forecast accuracy, which is easily translated into operational efficiencies’

• Does your organisation spend time explaining what has happened, or does it make decisions on a confident view of what is going to happen?
• Do your manufacturing teams trust the sales plan as a basis for production planning?
• Does your business planning consume resource or enhance performance?

Case Study 1

A global pharmaceuticals company, with a focus on cost reduction, needed to improve their planning process. Too much time was being spent on plans which weren’t consistently of an acceptable standard. PwC helped the client to implement a range of tactical improvements that delivered immediate efficiencies, and to identify a range of opportunities to move to a more integrated planning process in the longer term.
Case Study 2

A global consumer goods company, with misaligned sales, production and finance plans was experiencing growing differences between forecasted and actual performance. An inability to translate sales value plans to production volume plans was driving shadow planning activity, and poor control of inventory. PwC worked with the client to develop an Integrated Business Planning solution, allowing them to make faster and more robust decisions. Ultimately, the benefits came to a £55m enhancement to revenue, and an £86m cash release from better inventory control and customer service.

**Traditional planning processes**

- Functional silos have their own processes
- Decision making forums occur in parallel and there is a lack of buy-in to the outcomes
- Limited trust in each other's information across functions
- Lack of clear guidance and incentives to encourage the 'right' behaviours
- Plans are updated at different frequencies, using different data structures over different time horizons
- Reports are generated from multiple systems
- Lack of rigorous performance measures and accountability for the numbers
- Executive sponsorship of individual programmes, however no individual sponsorship of Integrated Business Planning

**Integrated Business Planning**

- Key planning processes are standardised across functions
- Decision making forums are aligned and outcomes are adhered to
- Trust in information between functions
- Common goals and behaviours embedded and incentivised
- Timings, data structures and time horizons are common
- Integrated information and reporting tools
- Rigorous performance measures with people held accountable for the numbers
- Executive level sponsorship for Integrated Business Planning
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