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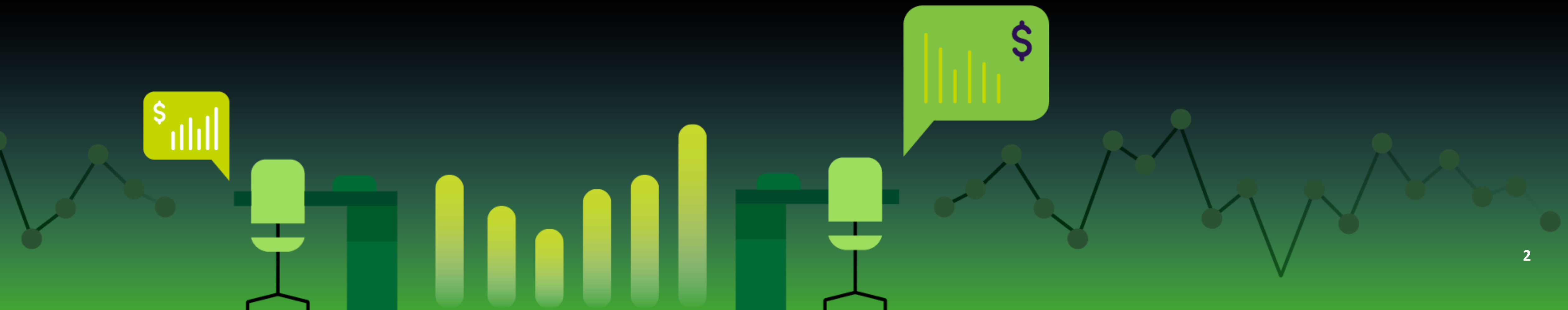
Crunch time series

Enterprise Business Planning in a connected world

MAKING AN IMPACT THAT MATTERS since 1845

Separate parts of the business creating similar but different annual plans. What can possibly go wrong?

—Disgruntled CFO



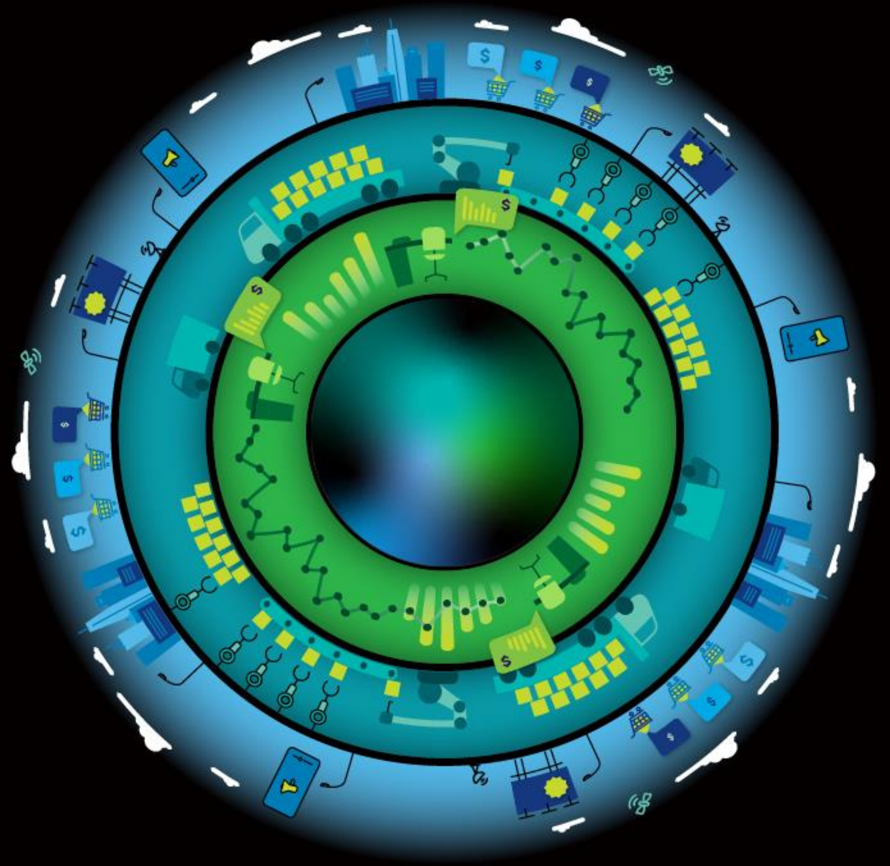
Connecting the dots

Business planning has made great strides in recent decades, supported by technology that's grown ever more sophisticated. Customer relationship management software lets you create sales plans that consider nearly any potential customer interaction. Supply chain planning tools help pinpoint where and when resources are needed across global supply networks. Digital finance platforms enable financial analysts to spot trends, model changes, and forecast P&Ls with increasing accuracy.

The big "however" is that many companies build their commercial, operational, and financial plans in isolation, working off separate data sources. These plans are generally aligned conceptually, but not truly integrated. So promotional plans get disconnected from inventory plans. Sales and production forecasts might not line up. Strategic targets may be hit, but financial goals still not achieved.

The problem isn't new, but there is a new way to solve it. What if you, as CFO, could combine multiple planning processes into one integrated approach—resulting in a plan all key functional leaders are committed to and measured against? And what if digital tools supporting that plan, combined with human insight, could show you in real time the impact of financial, operating, and commercial decisions? As the chief transformation officer—a role commonly assumed by heads of finance—CFOs are well positioned to make this happen. In the pages that follow, we'll explore how.

What’s inside



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Traditional planning

Sales

What's the plan for rolling out Project Khanyisa in Africa next month?
Bob wants to know the impact on cash flow and working capital.

Finance

Nothing's official yet. Marketing is still trying to gauge demand and make pricing decisions. I'll send you the sales forecast once it's available.

Sales

What's the hold up?

Finance

The product portfolio is still in flux, because we don't know how much inventory we'll have on hand. Supply chain built their models off outdated sales projections, so Khanyisa's current production and distribution schedule doesn't account for the expansion into Africa.

Sales

You're kidding, right?

Finance

I wish I were.

Slow, error-prone, opaque

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Planning is all about anticipating market conditions and customer preferences, recognising potential opportunities and risks, and generating insights to manage the business effectively. Done well, it provides an enterprisewide view of what needs to happen by when to achieve positive outcomes. So having a good plan is critical, but applying that plan in the real world can be deceptively difficult.

Markets continuously respond to new information, negating prior assumptions. Planners often lack visibility into performance metrics outside their functions while relying on manual processes or outmoded technology to collect, analyse, and share data. Predictive insights can take days to generate through clunky procedures—rendering them obsolete on arrival—when immediate action is needed.

Accordingly, many organisations today execute slow, error-prone, and opaque planning processes—not because they don't recognise the need for change, but because fixing the problem is just too big a hill to climb. To test a new pricing program, for instance, a company typically needs to update its:

- Strategic pricing model
- Customer segmentation and coverage strategy
- Sales, demand, and volume plan
- Sourcing, capacity, and inventory plan
- Technology and analytical capabilities
- Workforce/HR plan
- Financial plan, including P&L, balance sheet, capital, cash flow, and tax planning

What's more, these updates must all be aligned and coordinated, which can mean having to link dosens of spreadsheets manually and integrate disparate systems. Many organisations lack the governance structure to run this type of exercise even a single time, much less to do so repeatedly as business needs and assumptions change.

Planners often lack visibility into performance metrics outside their functions while relying on manual processes or outmoded technology to collect, analyse, and share data.

Planning in a connected world

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Finance

I see we've moved up Project Khanyisa's roll out in Africa.

Supply chain

Yes. We have the capacity to do it next month, and our material costs are coming in lower than expected.

HR

I noticed that, too, but keep in mind we'll need to move in people from other markets, which will drive some up-front costs.

Marketing

Even so, the analytics suggest our pricing strategy can handle that hit and it's a great opportunity to grab market share.

Sales

No doubt, and the sales forecast reflects that.

Finance

Let me run some cost and profitability models with my team. I'll get back to everyone shortly with cash flow and working capital projections.

Fast, automated, transparent

Enterprise Business Planning (EBP) offers a different approach—unifying people, processes, and information within a single integrated platform. With EBP, planners across the organisation work in new ways, using digital technology to simultaneously access the latest company and market data. And when assumptions or requirements change, the change flows automatically throughout the enterprise so people can respond accordingly and make faster, better-informed decisions.

EBP can break down organisational silos by utilising uniform source data, ensuring everyone works off the same information. This creates better visibility—regarding shared costs and margin implications, for instance—and fosters tighter integration. Here's how it works:

- **Commercial planners** provide the marketing perspective, modelling demand and the influence of strategic pricing, promotions, and advertising.
- **Supply network planners** build off demand analysis to inform supply and inventory planning.
- **Financial planners** integrate operational components within financial models to assess potential top- and bottom-line impacts, as well as the resulting impact on cash.

Meanwhile, planners from additional functions access the same integrated data and adjust their plans as warranted. Human resources planners, for instance, might respond to new market needs by updating their recruiting forecasts, talent development strategies, and expense projections.

With greater cross-departmental alignment and real-time indicators of market demand, planners can quickly grasp the implications of changing conditions and deliver the right information to the right decision-makers. If your company is not on a path to achieving this functionality and your competitors are, you could be at a disadvantage.

EBP can break down organisational silos by utilising uniform source data, ensuring everyone works off the same information.

EBP benefits

At its core, Enterprise Business Planning provides five key benefits that can increase organisational agility and, ultimately, profitability:

Speed

Integrating people, processes, and data across functions while making information available instantly to those who need it allows for real-time planning cycles.

Transparency

As traditional silos break down, planning activities can be executed in parallel based on common assumptions, enabling clearer accountability and better-informed decisions.

Accuracy

Working off the same data source—and leveraging cognitive capability and machine learning to reduce human biases—can help improve plan accuracy.

Alignment

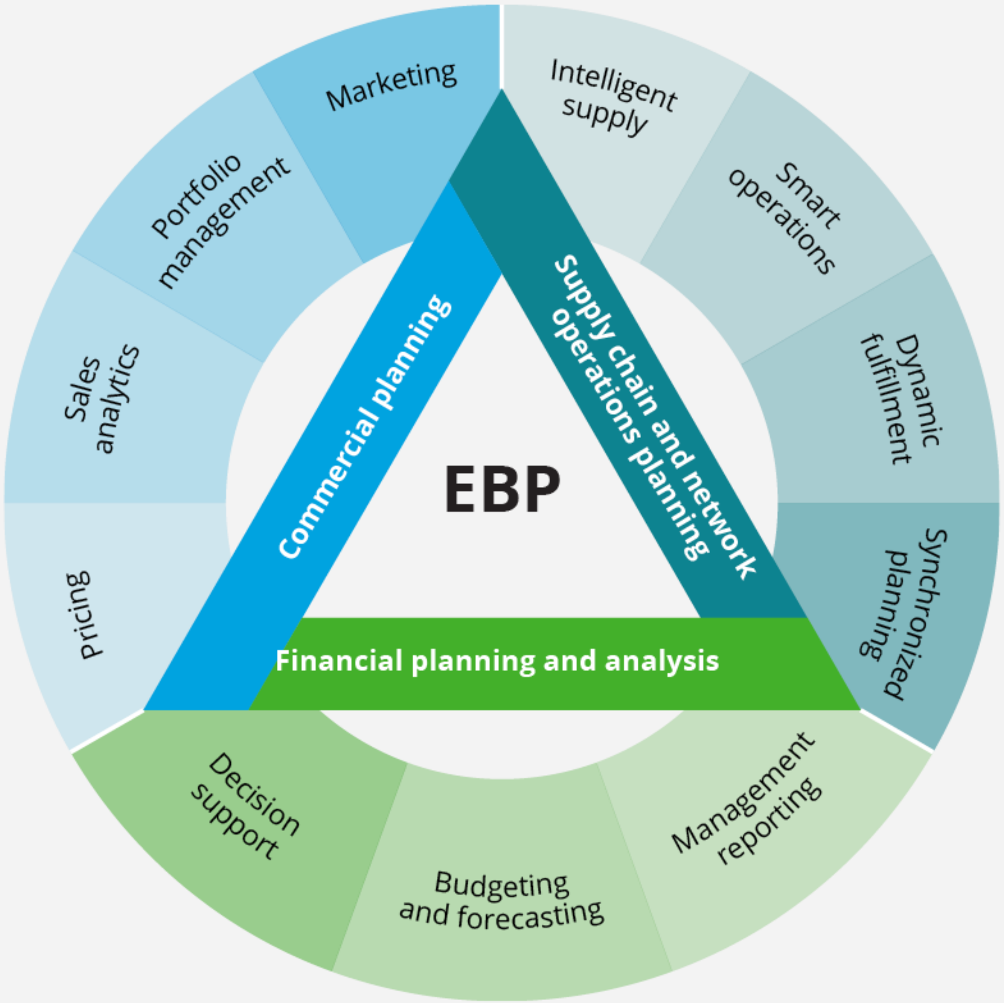
People responsible for operational performance can better anticipate market changes and align their decisions to broader business goals.

Efficiency

EBP consumes fewer organisational resources, because many manual planning activities can be automated or eliminated outright.

Digital tools can crunch reams of real-time information from employees, customers, suppliers, distributors, and external data providers.

Fueled by technology



To help make sense of continuously shifting market conditions, EBP uses predictive algorithms powered by artificial intelligence. These digital tools can crunch reams of real-time information from employees, customers, suppliers, distributors, and external data providers—helping companies streamline operations, anticipate issues, and cascade changes in assumptions throughout the organisation.

Many businesses gain access to this technology through integrated planning platforms used to collect, analyse, and share data across a range of EBP activities, including those shown in the diagram.

Next-generation planning platforms can also provide a single source of truth, common data definitions, and advanced data-visualisation capabilities. When the technology is used by a skilled workforce, it can enable Finance to provide better analytics and become a more valuable business partner.

Enterprise Business Planning in action

	Business goal	New capability	EBP advantage
Companywide	**Obtain accurate data**	**Single source of truth**	Data are integrated companywide, so planning functions work off the same data sets for analysis and decision-making.
Finance	**Generate deeper business insights**	**Driver-based forecasting**	Aligned key drivers enhance scenario modeling and decision-making, providing a holistic view of the portfolio.
		Connected cash flow planning	Forecasts link operational planning with cash management to understand impacts on working capital and cash, including cash taxes, and enable real-time scenario analysis.
		Scenario-based profitability and cost management	Cost and profitability models reflect flexible cost allocations, changing customer data, and dynamic capacity, providing deeper insight into capital needs.
Supply chain	**Plan supply to match demand**	**Assurance of supply**	Production allocations and distribution plans consider capacity, aligning sales and marketing inputs with business strategy.
		Informed supply network	Financial assumptions inform demand and supply balancing, with risk assessments supporting investment decisions.
		Strategic inventory positioning	Inventory targets and replenishment quantities are optimised by cost and service level to meet sales objectives.
Commercial	**Align sales and promotions**	**Optimised pricing analytics**	Informed analytics, using market data and dynamic-pricing engines, define optimal product pricing strategies.
		Integrated sales capacity planning	Financial plans are aligned with sales input and market demand, eliminating unnecessary costs to meet targets.
		Data-driven merchandise planning	Analytics help parse sales transactions and segment products by performance, helping refine the portfolio, address customer needs, and increase profitability.

A few examples

A multibillion-rand global distribution company couldn't accurately project its ending cash balance on a quarterly basis. It would provide a figure to the market, but produced a result that was much higher or lower. After a few quarters of this, the new CFO assembled a cross-functional team to study the key drivers of liquidity and solve the problem. They identified several issues that could affect financial forecasts but were not being shared across functions. For instance, Treasury was modeling cash outflows based on a DSO of 50 days, but Sales would routinely extend the length of payment terms for some customers to help close a sale. To fix this and other issues affecting forecast accuracy, the company implemented a "cash council" to analyse weekly cash forecasting variances, drive conversations and accountability, and ensure visibility across the organisation.

An automotive OEM wanted to improve transparency into vehicle-level profitability.
It found that allocating certain costs evenly across each vehicle didn't reflect the complexity in production of each vehicle given the various option configurations. Once it dug into its "cost DNA" (comprising materials, labor, overhead, production, inventory, and other cost drivers) it found incorporating number of parts per vehicle was important in some of its product cost allocations. This insight subsequently influenced which cars the company produced and promoted to meet demand across its dealer network.

The tax team at a global enterprise has limited visibility into its forecasted financials, and does not have the granular level of detail needed to efficiently forecast tax expense and associated cash flow impacts. Additionally, tax has limited access to supply chain forecasts, making it onerous to evaluate intercompany profit margins and make intercompany pricing adjustments. The tax team is working with the business on an initiative to produce more effective data, and improve the accessibility of reporting on forecast. With these anticipated improvements tax will be able to reduce the time and level of effort associated with the tax provision and scenario planning; improve working capital through proactive management of cash taxes and estimated tax payments; and more efficiently mitigate the risk and impact of transfer pricing adjustments. In the end, tax expects to leverage improved tax planning data to drive more bottom-line value back into the business.

Case study

One company's journey

The bad

A ZAR360 billion biopharmaceutical company had used a decentralised consensus demand planning and capacity management process, which hindered visibility into functional forecasts and created data inconsistencies across departments. Planners couldn't readily model short- and long-term global capacity plans, so inventory levels and associated costs were higher than necessary.

Moreover, the company's global operations, R&D, and finance organisations lacked a single-source-of-truth operating expense planning tool. Instead, regions used multiple non-scalable tools and approaches—each requiring significant effort and resources to maintain—and relied heavily on spreadsheets to consolidate templates sent by business planners. As a result, duplicative data entries and slow information flows were standard operating procedure.

The good

The company designed and implemented a new supply chain planning process, including a monthly consensus plan that incorporated finance, commercial, and operational forecasts. The new approach enabled what-if scenario reporting, shed light on inventory levels, and let planners assess the impact of production changes based on historical and projected demand.

To enhance operating expense planning, the organisation built a zero-based budgeting OPEX planning solution that could capture forecasts and budget details in one location. The new tool—which was designed around how the business did detailed planning—automated data sourcing and exporting, added new functionality, and streamlined the actualisation process.

And the pretty

With these initiatives in force, the company ultimately achieved...

- ZAR5.8 billion in inventory savings, driving a 14% reduction in working capital
- Increased demand planning efficiency (with 95% of demand forecasted in the tool)
- Custom product segmentation and forecast accuracy metrics
- New reporting capabilities
- Increased financial planning efficiency
- Better management and governance of the sales incentive plan

...as it rode off into the sunset.

Getting started

The hardest part of connecting your company's planning processes might be deciding where to begin. While every business will have unique needs, you should consider five key steps as you work through the process.

1

Define your vision. Pull in representatives from key functions outside of Finance—e.g., supply chain, sales, marketing, HR, and others—and brainstorm ways to enhance how planning is done today. What's working well? Where do bottlenecks occur? What might be possible with better technology? What workforce capabilities will we need? The goal is to articulate your desired end state.

2

Create a roadmap. Once you've defined your vision, set a strategy to realise your goals. Think about the basic people-process-technology equation. What talent gaps hinder planning activities? How can functions coordinate their planning processes more effectively? What technology and external support can help the business seize new opportunities?

3

Pilot use cases. Success drives adoption and interest throughout the organisation, so choose a use case that can add value quickly. Start with something small and manageable that aligns to your overarching vision and test to validate it works as intended. Then consider how other uses cases could be added and rolled out broadly.

4

Scale capabilities. Track the impact of each pilot test and look for ways to replicate impressive results. Start by refining and scaling use cases in several business units—incorporating your lessons learned—and then implement new capabilities companywide.

5

Promote adoption. To build support and enthusiasm, don't make this a Finance-driven exercise. Instead, engage leaders of key functions throughout the company early and often. Enterprise Business Planning requires organisational alignment and sponsorship.

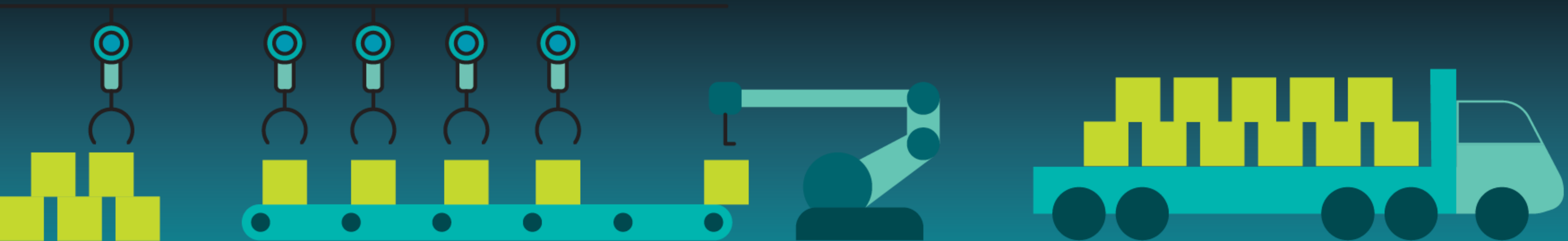
To build support and enthusiasm, don't make this a Finance-driven exercise.

Sounds like a plan

Enterprise Business Planning combines digital advancements with human insights to make the best possible financial and operational decisions. With the range of ambiguities in play, from individual biases to organisational politics to changing assumptions, planning is rarely a simple exercise. But new tools and approaches have made it much easier for organisations to gather, analyse, and share information in real time, taking much of the guesswork out of the process.

Through better integration, planning can make another leap forward—this time offering CFOs a connected, enterprisewide view of complex issues affecting business performance.

Ready to give it a try?



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