Integrated business planning

Percentage of participants who reported that their finance function now plays a key role in strategic planning, compared to 63% in 2009

Budgeting cycle time in days – Median vs Top Quartile

Forecasting cycle time in days – Median vs Top Quartile

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**Integrated business planning**

Frequent surveys and studies, such as PwC’s Finance Effectiveness Benchmark study 2011, consistently highlight a desire for organisations to improve their planning, budgeting and forecasting capabilities.

Despite the significant amount of time devoted to planning activities, satisfaction with the quality of output continues to remain low, despite investment in leading practices and technology enablement.

Our experience shows that many planning, budgeting and forecasting change programmes focus on a particular function such as Finance, Sales and Marketing or Operations. Although benefit is realised for each set of functional stakeholder, it does not necessarily drive holistic, group wide benefit as many organisations still continue to struggle with aligning the plans and forecasts of sales, marketing, operations and finance after the change programme has concluded.

In addition, we also see organisations that look to improve specific components of their capability in isolation, such as forecasting, without considering the end to end process from strategic planning through to operational planning. This can drive a misalignment of responsibilities between planning, budgeting and forecasting processes and lack of clarity regarding hand off points, including the structure, timing and responsibility for each.

**Challenges of poor integration**

We see poor integration manifest itself across two key dimensions:

**Process integration**
- Disconnect between strategy and execution – our analysis shows that many organisations have systemic misalignments between strategic plans and operational execution.
- Lack of due consideration for all aspects of process – redesigning the annual budgeting process in isolation may have an unintended and detrimental impact on the forecasting process.

**Functional integration**
- Cross functional misalignment – inconsistent assumptions or outputs across functions gives rise to inconsistencies at a Group level.
- Opportunity management – Organisations that are slow to model cross functional impacts of decisions miss opportunities to reallocate or resources to take advantages of market opportunities.
A framework for success

An Integrated Business Planning framework links together interdependent process components of planning across the Sales, Marketing, Operations, Supply and Logistics and Finance functions. It creates cross functional alignment and collaboration to support effective and efficient decision making driving improvements in customer satisfaction and business performance.

Integrated Business Planning is considered across two primary dimensions.

Process integration

The first dimension to consider is process integration, particularly those that translate strategy into execution. Increasingly organisations are looking at end-to-end processes within this cycle rather than discrete strategic budgeting and forecasting activities. This end-to-end approach embeds the strategic aims of the organisation into the planning, reporting and forecasting processes.

Figure 1 illustrates the interconnected nature of these processes within the wider context of Enterprise Performance Management.

1. Strategy to Plan covers those processes associated with setting an organisation’s strategic objectives and associated measures, setting financial and non financial targets and defining business plans and budgets to achieve these goals.

2. Monitor to Forecast is the ongoing process of measuring performance against business goals and allocating or reallocating resources where material gaps arise.

3. Recognise to Reward is how we link business performance to individual compensation and reward.

Functional integration

Secondly, functional integration which promotes cross-collaboration between product and service development, procurement, production, logistics and distribution, sales and marketing, and customer service when creating business plans. This provides a foundation for organisations to consider the entire cost of servicing customers and facilitates a richer conversation regarding resource allocation.

Leading organisations are already recognising the benefits of promoting greater cross functional collaboration to achieve broader business goals and are actively encouraging these activities. Ensuring aligned plans, budgets and forecasts across functions provides greater confidence in delivery and more of a ‘one company’ focus when addressing performance gaps.

Figure 1: Enterprise performance management.

Figure 2: The two primary dimensions of integrated business planning.
The degree of integration across functions will typically depend on a number of factors such as the size of the organisation, the operating model it employs (centralised vs decentralised), the inherent complexity and of course the industry.

In addition to the above, there are two primary enabling perspectives to consider:

**Data**

Data is a critical enabler for facilitating both process and functional integration. For both, consistency of definition from a data set and dimensional perspective is required.

From a process perspective, ensuring consistency across hierarchies and definitions will reduce the need for manual intervention to map between strategic, budget and forecast data.

Cross functionally, any manipulation of data shared between functions should also be eliminated if the business is utilising a fully integrated and aligned data model. Further to this, sharing a data model between planning, budgeting and forecasting as well as reporting will promote consistency and eliminate manual interventions.

**Technology**

The second key enabler is technology. If utilised correctly, technology can be an efficient and effective mechanism for sharing, transferring and using data and information.

Organisations with an integrated suite of performance management tools supporting planning, budgeting, forecasting and management reporting reap the rewards of faster access to the information required to support decision making.

This benefit is further enhanced if the technology is built on a consistent data model allowing information to freely flow between applications and users.

We believe that closer alignment of processes, data and technology across functions and geographies can provide significant benefits as well as promote collaborative, integrated working practices and improved decision making.

The final component of an integrated planning framework is the linkage with individual performance objectives. Setting a direction for a business can be done effectively and efficiently with tight process, functional, data and technical integration but without the right incentives in place to ensure staff and management behaviour in a manner consistent with the delivery of strategic objectives, then surely some benefit is eroded.

Leading organisations are ensuring that senior management in particular are rewarded based on performance against a balanced set of measures aligned to the overall strategy of the business.
**Significant benefits exist**

By integrating processes, data and technology across functions an organisation can be more nimble and dynamic when making resource allocation decisions.

This approach promotes the consideration of organisational strategic objectives over those of individual functions. It can also be the mechanism that fosters a culture of collaboration and trust across the organisation and drives performance by aligning the behaviours of the organisation.

Finally, it can be the glue that binds complementary planning activities and provide a genuine competitive advantage.

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**Realising the vision**

The evolution of capability toward more Integrated Business Planning needn’t be an all consuming change programme, but success does rely on focused attention on three key challenges:

1. **The largest barrier to success is often the behaviours and cultures of each function within an organisation.** Developing more collaborative behaviours that break down functional silos is critical.

2. **Introducing successful integrated business planning does not need to be onerous.** Specific focus on improving functional process ‘touch points’ can drive significant efficiency and effectiveness improvements.

3. **Finally, consider how data and technology integration improve enablement of the planning processes and tighten the linkage with management reporting.** For example, ensuring common data structures and definitions are utilised will facilitate more effective sharing of information to support decision making.
Conclusions

• Integrated Business Planning should be considered a complementary vehicle for driving incremental business performance together with additional improvements to overall Finance Effectiveness such as Management Information.

• It isn’t conceptual; it’s a real approach proven through client engagements. Although each business is unique, the principles discussed in this paper are relevant to all organisations and can drive benefit.

• It must be comprehensive across process, organisation, data and technology. Embedding Integrated Business Planning can take time as it relies on the buy in of senior stakeholders and the ability to break down behavioural, cultural and functional barriers. It is an evolution rather than a revolution.

Integrated Business Planning is about:

• Focus – plan the drivers of revenue and cost that most closely align to the strategic goals of the business. Effort expended on immaterial or uncontrollable areas is largely wasted.

• Ownership & accountability – encourages clearer governance and accountability for decisions and outcomes within the context of a ‘one firm’ ethos.

• Collaboration and clarity – improved working relationships across functions and the breakdown of silos promotes more informed and quicker decision making.

• More responsive and robust decision making – reduced fire fighting and ad-hoc activities and more proactive opportunity management.

• Trust – both of the numbers and decisions based on these numbers and the individuals making the decisions which is further promoted through consistent data structures and definitions.

• Improved organisational efficiency – reduced planning cycle times and removing duplication as well as seamless hand off points between functions and elimination of manual intervention due to misalign data structures.
Further reading

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