Supply Chain Digital
September 2019
https://www.supplychaindigital.com/supply-chain-management/seven-tips-successful-ibp-implementation
Monthly visitors: 66,100

Seven tips for successful IBP implementation

By **BIRGIT BREITSCHUH, PARTNER AT OLIVER WIGHT EAME** • Sep 28, 2019, 7:00AM

In a recent cross-industry survey* (conducted by Oliver Wight EAME of over 500 Directors, Supply Chain Managers and Process Leaders, 75% of respondents said they believed either 'forecast accuracy', 'inventory reduction', 'cost reduction' or 'perfect order' is the primary benefit of Integrated Business Planning (IBP). This is a massive underestimation of the true potential of IBP. Its real purpose is to ensure your business achieves sustainable, revenue and margin growth; to sell more, more profitably.

So, why are so many organisations getting it so wrong? From experience, it's either because organisations are setting their ambitions too low, or are failing to implement IBP correctly so they fall short of realising its full benefit – or both.

Birgit Breitschuh lists seven key tips to ensure your IBP implementation gives you the best possible return on investment.

1. The IBP process is owned by the CEO

The CEO is the ultimate decision-maker for the organisation, so they must be the driving force behind IBP. CEOs are – or should be – responsible for setting the organisation's strategy, articulating it through business objectives to deliver the company goals and it's IBP which enables the deployment of the business strategy. So, by definition, the CEO must own and lead the IBP process. In this way, the CEO enables IBP to become accepted at all levels in the business, to gain momentum and eventually become the way the organisation operates.

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2. **The Demand Plan belongs to Sales & Marketing**

Having a good understanding of what generates customer and consumer demand is the key component to developing a reliable demand plan. Consequently, those who are closest to the customer and have the greatest understanding of activity at the point of consumption, must take ownership of the demand plan; this has to be the sales and marketing teams. And demand planning is more than simply producing a ‘forecast’. Many key business decisions are driven from what we believe we will sell. Organisations need a fully integrated demand planning process, with multiple inputs based on both volume and value, driven by demand analytics and market insights.

3. **Finance is fully integrated**

A key differentiator of IBP is the integration of financial plans throughout the process. The active participation of the finance team in the monthly IBP reviews, contributing as ‘key business partners’ to the real-time testing of different scenarios and adjusting plans accordingly, safeguards the integrity of financial projections.

As finance collaborates with its business partners and the facilitators of each of the IBP core elements of demand product and supply, , greater value is delivered to the organisation, through the improved development and critique of plans at each review and the financial extrapolation. The outcome becomes a company-wide focus on financial gap identification and closure, and continuous re-planning and re-optimisation.

4. **Product Portfolio Management has its own dedicated review in the IBP process**

Historically, in the days of S&OP, organisations included Product Portfolio Management as part of the Demand Review. This is a mistake. It needs to be treated as separate part of the overall IBP process, because successful Product Portfolio Management results in growth in sales and profit through product and service innovation. The most competitive organisations promote a culture of continuously introducing superior products and services to market, introducing the new, whilst phasing out the old. Naturally, this can play a crucial role in closing future performance gaps.

5. **IBP aligns the business to the strategic growth plans**

IBP is the process which connects the strategy to the business plan and ensures the delivery of both, providing the foundation for effective decision-making to deliver future growth. However, organisations often incorrectly use IBP as a meeting-the-annual-budget process, rather than using it to look out over a 24 to 36-month horizon. This misguided focus on meeting the annual budget, creates ‘end-of-year-myopia’. It is impossible to plan effectively for the future if you’re not looking beyond the end of the financial year. In fact, successfully implemented IBP will naturally negate the annual budgeting exercise, replacing it with a continuously updated two or three year financial plan. Allocating resources to satisfy the just short-term is not only detrimental to long-term growth and profit, but also ultimately compromises the strategic ambitions of the business.

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6. **Assumptions drive the numbers**

There is a golden rule in a successful IBP process: "There is only one set of numbers". Without belief and agreement in the numbers across departments and up through the organisation, businesses can't start to make informed decisions.

There is a simple three-step process in creating one set of numbers:

1. Agree on the basic assumptions behind the numbers e.g. disposable income growth, shopper habit trends, product versus distribution brand trends, market prices etc.

2. Agree the values (percentage, numbers) in the assumptions.

3. Agree on the effect the assumptions have on the numbers.

Driving understanding of step three is especially key, so that correlations are not only identified more quickly, but the people can articulate which assumption has changed if the planned numbers need to be adjusted. Get this right, it enables the decision-making crucial to achieving growth in sales and profit.

7. **Don't get caught up in the details**

IBP thinking is 'roughly right, rather than precisely wrong'! Many organisations make the mistake of expending extensive efforts on drilling down into the detail, trying to determine precisely what is not going to happen in the coming months and years as opposed to focusing on the overall longer-term view. Not only is this a waste of resources, but getting bogged down in the detail is a barrier to extending the horizon beyond the short-term and breaking away from the 'annual budget' way of thinking. Looking at the bigger picture facilitates the forward-planning essential for building growth and increasing margin.

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