



VantagePoint 2013

*Integrated Business
Planning*

8th October 2013

Introduction

Objectives of this session:

- To highlight typical issues organisations face with the planning process
- To describe
 - the leading planning practice themes and timeline
 - what Integrated Business Planning is, its key principles and the benefits it can provide to organisations
- To illustrate how we have helped organisations to improve the process through integration of planning, budgeting and forecasting across functions and business units

Agenda

1. Integrated Business Planning 20 mins
 - Common challenges we observe
 - Themes of leading practice
 - What is Integrated Business Planning?
 - Key principles of Integrated Business Planning
 - Benefits of the leading practice
 - Leading practice timeline
 - Our experience

2. Q&A 15 mins

The common challenges we observe

The common challenges we observe

Based upon our research and experiences of working with clients, we often see that many organisations experience one or more of the following challenges:

- The business strategy is not communicated with the right metrics.
- Employee reward models are not incentivising the right behaviours.
- The planning process is not delivering against expectations.
- Insight into the performance of the business is lacking.
- Analytic capabilities to predict future outcomes are missing.

Only
24%

of FTSE 350 companies explicitly link their strategy and KPIs. [1]

54%

of CEOs are dissatisfied with the insights provided by their financial forecasts. [2]

55%

of organisations are dissatisfied with their management information. [3]

60%

of organisations rely on manual spreadsheets for reporting and insight. [3]

65%

of organisations do not link metrics and budgets to the strategy. [4]

70%

of staff incentives are not linked to the strategy. [4]

- 1) PwC Survey – Trust through transparency
- 2) PwC CEO Survey
- 3) PwC Finance effectiveness benchmark study
- 4) Harvard Business Review and PwC

Integrated Business Planning

Themes of leading practice

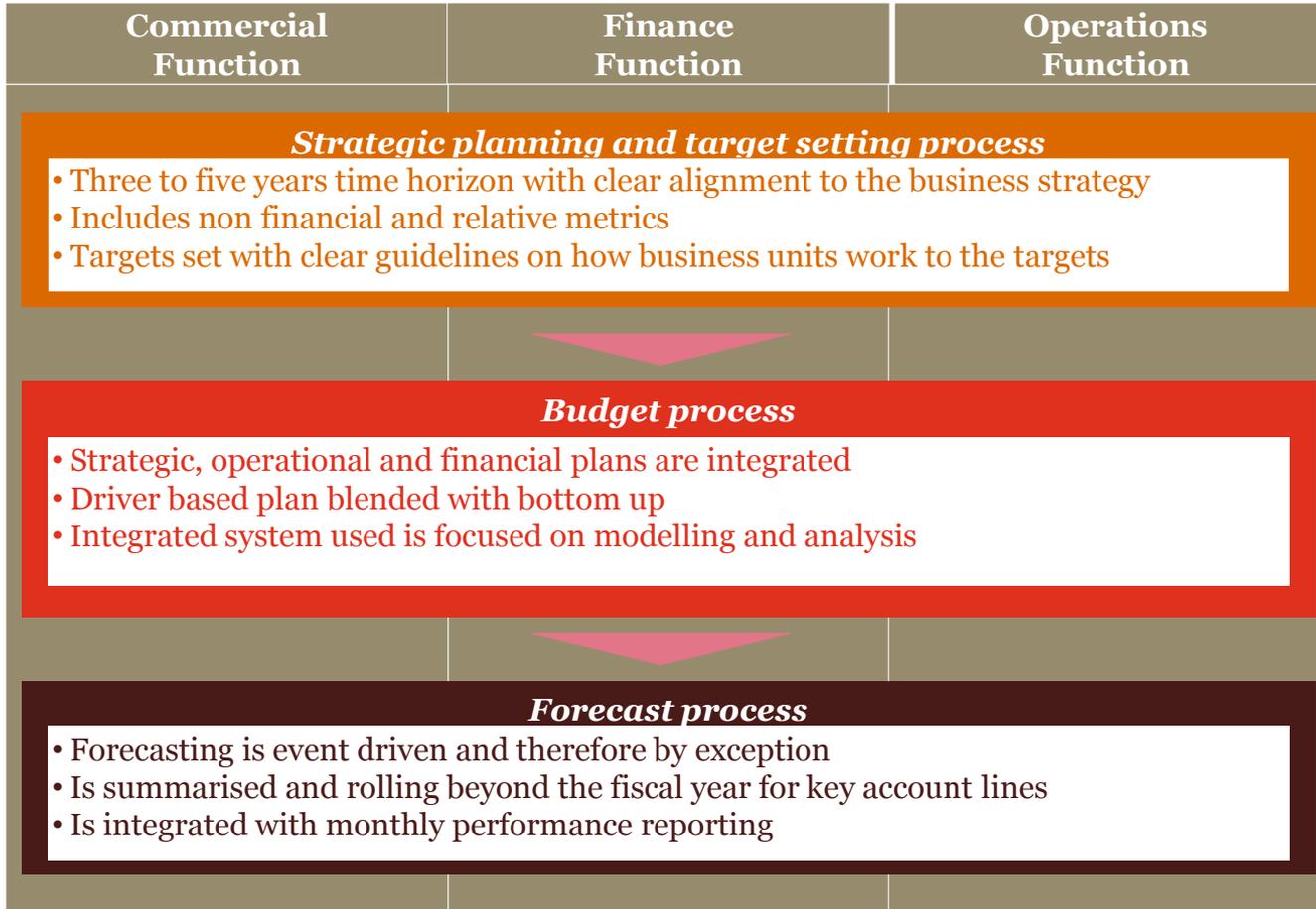
A world class planning process will optimise decision making and business performance by:

- Ensuring alignment of the organisation's strategy with the operational plans and decision making process
- Providing a process to prioritise, assess and optimise the allocation of assets and investments
- Delivering insight through fast and effective scenario modelling capabilities
- Providing a proxy for measuring, monitoring and identifying root cause of business performance



Integrated Business Planning

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



Key principles of Integrated Business Planning

- **Policy** – Consistency of policies and procedures creates standardisation, removes inefficiencies and enhances the quality of the plan
- **Governance** – Creates the control framework to ensure policies as well as data, process and technology procedures are applied correctly
- **Process** – The planning processes (strategic planning and target setting, budget and forecast) are integrated and aligned to the corporate strategy
- **Culture and People** – Behaviours are aligned to achieve the corporate strategy and optimise business performance
- **Technology** – A single platform provides scalability, standardisation and sophistication is a key enabler to efficiency and effectiveness
- **Data** – Data is relevant to decision making in both the Planning and Performance Reporting processes



Benefits of the leading practice

Insight

- Improved **visibility and transparency** of margin and profit sensitivities under different scenarios
- More time to **analyse and model** options as opposed to collecting data and reconciliation
- Analysis of **trends, growth and sensitivities** will provide effective insight into the planned performance of the business

Flexibility and agility

- The budget and forecast can be flexed for changes in key drivers, assumptions and sensitivities
- **Shorter cycle times** produce a plan that is closer to current performance and can be quickly re-modelled for changes in market conditions
- Automation provides **agility to spot and provide management focus** on anomalies rather than full bottom up re-forecasting

Performance

- Improve **operating profit** by aligning decisions across functions and business units
- Improved **operational performance** by optimising costs, improving service levels and asset allocation
- Early visibility of risks and the use of 'what-if' scenarios will provide integrated outcomes and **proactive risk management**

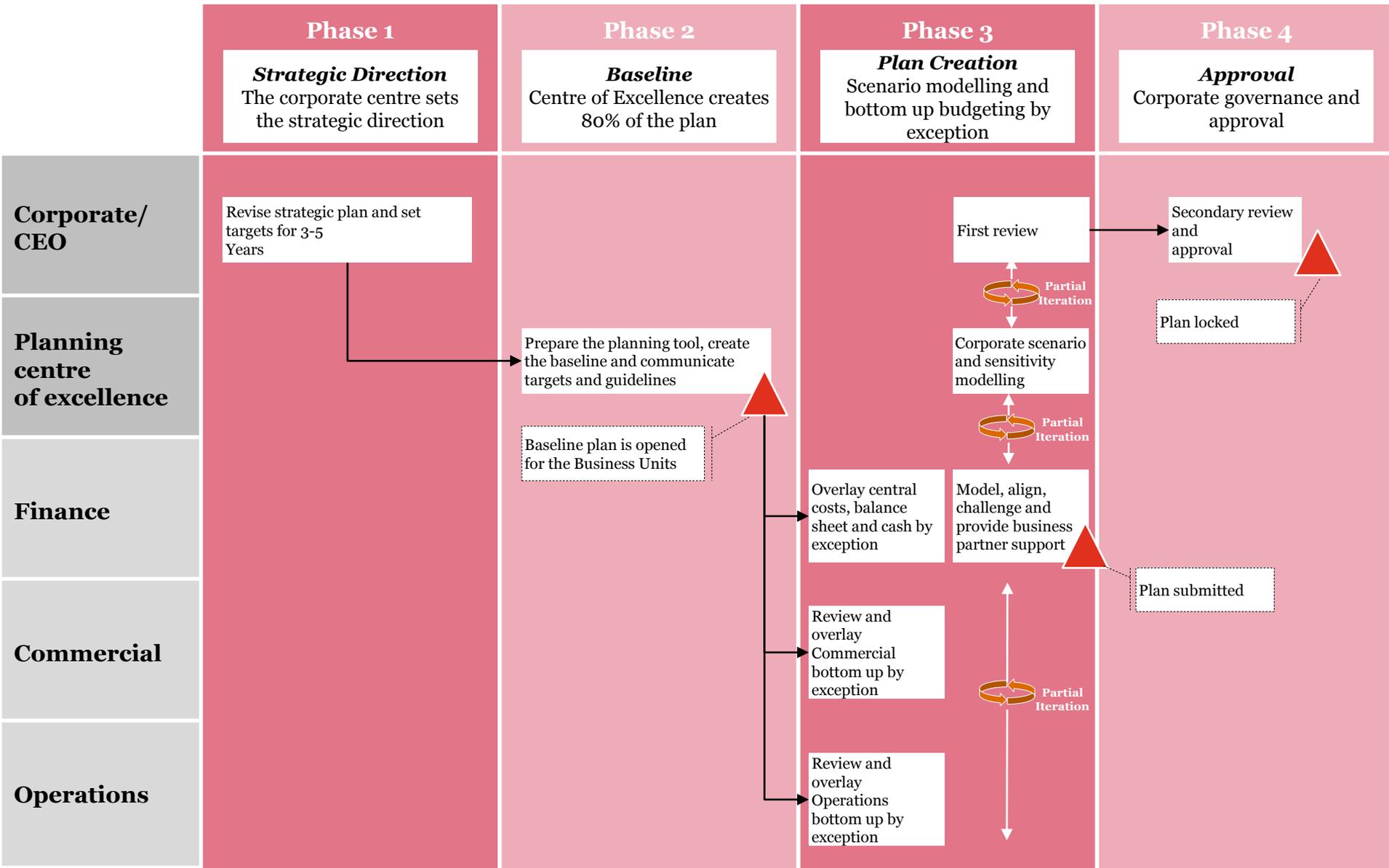
Confidence

- The plan describes the most likely outcome and enables improved **earnings guidance** and market confidence
- Confidence that everyone is looking at **one version of the truth**
- **Improve the data available for decision making** and increase confidence in decisions made.
- Variances to the plan are **readily understood and meaningful**

Aligned behaviours

- Improved cross functional ways of working and incentives drives a **collaborative approach** to delivering improved business performance
- Clear **roles and responsibilities** for the process is enabled by integrated ways of working
- An integrated process and single system is a key enabler for **business partnering** activities

Leading practice planning timeline



Our experience

Our methodology

We work with organisations to design and implement enterprise-wide performance management solutions that deliver tangible benefits. We frequently start with a rapid diagnostic.

Set the right
business targets

Integrate
business plans



Predict outcomes
with analytics

Improve business
reporting

1 *Rapid EPM diagnostic*

- Create the vision and value statement.
- Prioritise the opportunities.
- Define the business case and implementation plan.

2 *Design & Implement*

- Efficient processes.
- The right metrics and a common information model.
- An aligned reward model to strategy.
- An integrated 'best-of-breed' technology platform.
- Centres of excellence.
- New operating model and people capabilities.

3 *Benefits Realisation*

- Manage and measure the benefits realisation.
- Embed business as usual governance structure.

Client Story – Nordic Insurance, Investment Management & Banking Company

Our Client

A Nordic Insurer and Investment Management Company which changed parent company and operates solely in the Nordic areas. They are one of the Nordic's leading independent providers of solutions for long-term savings and investments and also offer an online Banking service. The company realised a need to radically overhaul the approach to financial planning.

Client Challenges

- Difficult to **align** the three Planning Cycles (Strategic Plan, Budget and quarterly forecast) to ensure that the corporate strategy was being delivered through the Budget and forecast
- Lack of **ownership** due to late changes imposed by senior management as top level adjustments. The **root causes** of variances in performance were not understood and linked to corrective action
- Lack of data **integrity**, no **common definitions** or use of **global assumptions** making it hard to compare performance and high effort spent reconciling data vs. driving business performance
- High amount of **manual effort** required to validate and reconcile the local plans

What did we do	How did we do it	Value delivered
<ul style="list-style-type: none"> • Aligned the Strategic Target Setting, Business Planning and Forecasting processes. Fully integrated Sales and Finance Plan while still allowing the business controllers control over their outflow volumes and market growth assumptions • Delivered a fit-for-purpose data model that benefited finance and the wider business, and integrated with with recurring reporting • Implemented an integrated financial planning solution based on a common chart of accounts, using common assumptions while still allowing BU specific driver based planning capabilities <p>PwC</p>	<ul style="list-style-type: none"> • Used planning and budgeting best practices to define the key design principles • Assessed Planning maturity and appetite for improvement • Defined the implementation roadmap and governing design principles for the project • Ran Joint application design (JAD) workshop using a prototype to clarify our understanding of the business, and at the same time, educate our client on the tool – including the look and feel of the end result. • Used best-of-breed tools throughout the implementation 	<ul style="list-style-type: none"> • Insight: Common data model and assumptions led to better analysis • Flexibility and agility: Simplified data sourcing to allow automatic data collection, thereby minimising the number of integrations and driving consistent use through the processes • Performance: Significant reduction in time required for data reconciliation, validation and error checking. Now spending 387 days less annually resulting in £350K savings. • Confidence: Improved accuracy, reliability and ownership by integrating the processes and eliminating top level adjustments • Aligned behaviours: A clearly defined & controlled planning process, supported by detailed instructions, task lists and validated workflow

Client Story – Global Car Manufacturer

Our Client

A Global automobile manufacturer with a focus on luxury sports saloons and sports cars. The company operates in 200 markets globally and has sales of approximately £10 billion p.a.. The business is growing exponentially and an IBP solution was required to provide more insight to product profitability at a detailed level across all vehicle models and markets.

Client Challenges

- The business was struggling to **identify the most profitable markets** and **plan car production** for those markets
- The existing planning/reporting systems were not integrated which led to duplication, re-work and **high manual effort** to plan scenarios
- The widespread use of **spreadsheets** didn't provide the required **visibility, transparency** and **quality of data** required to support management decision making

What did we do	How did we do it	Value delivered
<ul style="list-style-type: none"> • Redesigned processes to be consistent across 200 markets and central functions. • Expanded the forecast horizon to 48 months to allow for greater visibility for future management decisions with engine procurement being a key responsibility. • Developed a driver based model which provides consistent, sophisticated calculations for 2000 derivatives • Improved commercial analysis and designed a planning system for Marketing and Sales team with agreed and applied guiding principles. • Integrated the central functions of Pricing, Volume Planning, Manufacturing Direct Costs, Parts & Accessories and Finance. • Integrated the capacity planning, as it aids in the projection of future stock levels of key components <p>PwC</p>	<ul style="list-style-type: none"> • Formed a balanced team with the client to develop processes and systems • Used JAD's (Joint Application Design Workshops) and prototyping extensively to educate business users in the capability of the software solution and how it could help them with key business requirements • Coached the client team to have full understanding of the solution and involved them in the build so that they develop self sufficiency • Assisted with the development of end user training on the new processes and systems so that the business is able to exploit new functionality from day 1 	<ul style="list-style-type: none"> • Insight: Information preparation time vastly reduced, allowing analysts more time to understand the data rather than collate it. All data on one system with full visibility and transparency. Providing to the management access to global profitability projections helping them to increase the company profit by changing the allocation of vehicles across global markets • Flexibility and agility: Full array of Planning functionality now available to assist with rapid re-plans and scenario analysis. • Performance: Plan consolidation time reduced from 3 days to a couple of hours. • Confidence: Significantly higher quality of information delivered to senior management for decision making. Significantly improved visibility of planning and budgeting across the organisation

Summary

Leading practice planning improves business performance by:

- Aligning the organisation's strategy with the operational plans and decision making process
- Providing a process to prioritise, assess and optimise the allocation of assets and investments
- Delivering insight through fast and effective scenario modelling capabilities
- Providing a proxy for measuring, monitoring and identifying root cause of business performance

Wrap Up and Q&A