

A large, vibrant blue planet with swirling patterns on its surface dominates the right side of the frame. To its left, a smaller, grey, cratered moon is visible. Further to the left, a tiny white sphere and another small grey sphere are scattered in the dark, star-filled space. The overall scene is a cosmic landscape.

BRINGING WORLDS TOGETHER

Integration instead of isolation – that’s the new maxim when it comes to planning. Business-driven planning interweaves separate planning areas from the areas of sales, production and finance. The result is plans and forecasts that are available more quickly, better quality for performance management and ultimately, increased success for the company.

Good planning is half the battle. That is particularly true when it comes to corporate performance management, which depends on reliable forecasts. And so controllers and managers from all functional divisions create numerous different plans; from summer to winter they work on corporate planning, fine-tuning at their forecasts over the entire year. The work involved is considerable – and not necessarily reflected in the often-mediocre quality of results. Companies have spent years criticizing the quality of financial and operational planning, but have nonetheless largely remained mired in the planning world of yesterday.

BREAK OUT OF SILOS!

Silo thinking is the problem. Company functions plan in isolation from one another, and only manage superficial alignment; they sometimes even use completely different assumptions and data. Unsurprisingly, this generates various divergent partial plans and forecasts, making effective performance management difficult, and rather than resolving the conflicting goals to benefit the company as a whole, it actually amplifies them. The consequences are particularly evident in operational planning and forecasting processes, such as Sales & Operations Planning (S&OP): Companies fail to exploit the potential that is open to them because of inaccurate sales forecasts, excessive inventories, under-utilized capacities and missed sales opportunities.

Business-driven planning (BDP) by Horváth & Partners interweaves isolated planning worlds together. The approach integrates sales, production and finance, and implements a cross-functional planning view instead of isolated functional silos. BDP takes into account all dynamic changes as well as influenc-

ing factors, from an early stage and at all levels. In doing so a holistic management approach is achieved, which improves the planning result on the basis of continuous end-to-end processes and specific business logic.

Customized driver models translate rolling sales and operational planning into financial variables and aggregate them over all instances; in this way, various planning scenarios can be integrated and evaluated from a financial perspective, enabling determination of the optimal scenario to suit the forecast. This is then used as the basis for subsequent cyclical planning.

FROM PLANNER TO BUSINESS PLANNER

The prerequisites for the success of a BDP project include a process environment that is integrated across all functional divisions, and organizational structures that combat silo mentality. Success additionally depends on a foundation of consistent data, with uniform data models and an IT platform that integrates all existing systems. The SAP Integrated Business Planning tool, in conjunction with SAP S4/HANA, offers system-based integrated processes as well as the necessary computing power to ensure that even large volumes of data can be quickly processed in the context of integrated planning.



Business-driven planning takes a cross-functional planning approach in place of isolated silos.

The digital culture of the company is also relevant – and important. In order for the planners of today to become the business planners of tomorrow, they must have a complete understanding of the corporate processes and dependencies, as well as expertise in forecasting models and analytics methods.



Business planners need expertise in forecasting models and analytics methods.

MAKING PROFITS ACROSS THE BOARD

Beyond optimized processes and increased efficiency, the main benefit of BDP is the comprehensive transparency created when all operational and financial performance management information flows into a single, consistent model. Furthermore, collaboration on the basis of integrated data and the use of analytics methods result in more precise forecasts; the processes then become faster due to the automation effected by means of integrated planning tools and the elimination of redundant work. This means that reliable plans and forecasts are available very quickly for company decisions – even in real time, in ideal cases – which enables companies to significantly increase their sales and margins. At the same time costs decrease, since re-

sources and capacities are utilized in a more focused manner and the working capital can be substantially lowered by means of reduced inventory. While freed-up capital can be profitably invested, the best use of the time saved is for valuable performance management and leadership tasks. ■

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AREA OF APPLICATION: DIGITAL SERVICE OPERATIONS

As a core component of Digital Service Operations, business-driven planning offers huge potential for the service industry and for service-providing departments in manufacturing companies. It allows for optimal capacity utilization as well as effective productivity management, and improves performance significantly when it comes to the provision of services. The main characteristics of business-driven planning are:

- 1 **Development of rolling planning and forecasting** using Predictive Planning to plan the required resources as effectively as possible
- 2 **Linking of sales and distribution planning with capacity planning**, which translates between distribution quantities and services to be rendered
- 3 **Capacity planning logic for the service sector**, in which the services to be provided are specified and an average handling time is defined for employees and robots
- 4 **Daily management system for the day on which services are rendered**, supported by management principles as well as techniques such as order routing and real-time monitoring of order data and resources

These aspects of operational performance management offer many opportunities for optimization, ranging from the actual requirements planning to the daily performance management of the respective Operations unit. They rely on a digital platform that supports the smooth running of customer processes with technical enablers, and forms the basis for business-driven planning thanks to optimal usage.

More information is available at www.horvath-partners.com/ServiceOperations_en
