

Integrated Business Planning: Is It a Hoax or Here to Stay?

By Patrick Bower

EXECUTIVE SUMMARY | Integrated Business Planning (IBP) is not new; it is just another name of a mature S&OP process. Comparing forecasts to the operating budget, aligning tactical plans to strategic plans, having a portfolio management process, and going over alternative scenarios for better decisions have always been the vital components of S&OP. The interest of businesses will be best served if vendors put their energy in improving the S&OP technology than in promoting it as a new and improved process technology.



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Call it what you will, but Integrated Business Planning is nothing more than a mature Sales and Operations Planning process. If you want to succeed in business, build a better mousetrap—a truly new product or service that offers fundamental value to consumers. Or, at least make that claim and hope

people believe you. Unfortunately the purveyors of Integrated Business Planning (IBP) software, services, and research have taken the latter approach, claiming to have developed a better model—a better mousetrap—than Sales and Operations Planning (S&OP). Well that’s a load of bunk.

Before reaching this opinion, I

analyzed countless articles, white papers, blogs, and other points of reference regarding IBP. I was searching for something truly new and innovative, some fundamental improvement. I went out of my way to give the most favorable interpretation to these various points of view. I was hoping my research would

reveal quantifiable findings, a new thought leader—something unique. What I found, however, was that IBP is nothing more than a restatement of the characteristics of a mature S&OP process. IBP is the intellectual equivalent of refried beans. It is a junk innovation, a Pet Rock, a novelty of little value, a useless fad. This purportedly hot, new, and must-have management tool offers nothing new, and is therefore a hoax.

A ROSE BY ANY OTHER NAME

While participating in a panel discussion about “advanced” S&OP at a recent conference hosted by the Institute of Business Forecasting, I referred to IBP as “I’ve Been Played.” The line was a hit, but I wasn’t playing it for laughs; I was serious. I felt compelled to take a “Stop the Insanity!” stance on the subject. After concluding my quasi-rant, I was greeted by a number of S&OP practitioners who agreed with my statements. They saw through the fog and recognized IBP as nothing more than an attempt to differentiate without a point of difference. What is clear, however, is the disconnect between so-called “experts and purveyors” who would propose to treat IBP as a noun—a cure-all elixir—and their intended audience, everyday S&OP practitioners, the wisest of whom see IBP for what it really is, a verb—a series of actions equivalent to a mature S&OP process done well, and thus in need of no separate (and costly) name.

THE EMPEROR’S FEW CLOTHES

Not convinced that IBP is just a gussied up S&OP? After my long

weekend of reading, I set about summarizing the key points of difference drawn from this research. I have to admit, during my research, I was shocked with the prevalence of the words—More, Improved, Robust, Easier—used by a variety of authors, and in some cases I have drawn on these verbatim. Consider these counterpoints to several of the “key differentiators” mentioned:

- **More, Robust, or Better Financial Projection/Integration.** Financial integration has been part of the base S&OP model for years. The Pre-S&OP or Integrated Reconciliation meeting is the “place” in the S&OP process where the forecast is valued and compared to the operating budget. It’s also the forum where alternative supply/demand scenarios including competitive, customer, and market-based activities and events are discussed, valued, and vetted for presentation to senior management. To the learned practitioner, financial integration has always been part of the S&OP process model. It’s nothing new. As for technical integration, I have personally observed Cognos, Hyperion, Comshare, Steel Wedge, Interlace, and homegrown Excel financial models used to place valuation on plans and alternate scenarios. Again, for S&OP practitioners, financial valuation is old hat.
- **Inclusion, Alignment to, Use or Integration of Strategic Plans, Initiatives, and Activities.** Really? This is a point of difference? I find it unusual that proponents cite this as an IBP differentiator because one of the most common complaints about S&OP is that it is too strategic, and not detailed enough. I would suggest that

the seemingly nonstrategic S&OP environments most likely suffer from a lack of executive-level participation as a result of an incomplete/poor implementation of S&OP, and because of a failing in the process model itself. S&OP has always been positioned as a strategic process, with sub processes established as forums for addressing alignment issues with regard to overall business strategy. Strategic alignment to tactical plans has always been a vital component of S&OP. To propose introducing it as a shiny new concept unique to IBP leaves me scratching my head and asking, “Really?”

- **Improved Executive Participation. Many S&OP processes do not have executive participation.** In my mind, without executive participation, S&OP is not S&OP. The best practice for S&OP is to have VP’s of Ops, Sales, and Marketing chair each of the Supply, Demand, and Portfolio Review meetings, respectively. Does this always happen? No. Does having more executive involvement in the meeting merit a process name change to IBP? Absolutely not, executive involvement is assumed in the S&OP process model. Most organizations have what I describe as goldilocks dialogues regarding the level of executive involvement. The porridge is either too hot, too cold... and rarely is just right. No one is ever 100% happy with the level of detail in the dialogue. The executives often feel there is too much detail, and the planning organization often sees too little. The concept of using product family groupings was intended to bridge that conversational divide.
- **Addition of More, Robust, or**

Better Product and Portfolio Management.

Portfolio management has been part of most S&OP process models since at least the late 1990s. Product and portfolio management within the monthly S&OP cycle is considered to be base S&OP (or foundational S&OP, or competent S&OP, depending on the nomenclature). I guess what we really need is a definition of “more and robust” offered by some authors, but I did not find any specifics. While there are many companies that do not have a portfolio management process, this is not a legitimate case for changing the name of S&OP to IBP. I can offer my opinion why many companies are missing this process step; one of the older schools of thought on S&OP did not include portfolio management in the process model. This “old-school” of S&OP was focused more on demand, supply, and inventory, with an overall goal of achieving balance among these elements. For companies that don’t yet have a portfolio management process, they’d be better served by simply augmenting their existing S&OP process with the addition of a portfolio management step—bringing it to full S&OP maturity—rather than chasing the shadow promise of IBP.

- **Addition of, or Improved What Ifs, Scenario Planning, Simulation Alignment to Operating Plans.** According to a leading consulting firm, IBP is “responsive optimization of the business in pursuit of business strategy. The process focuses on the use of alternative scenario planning to reconcile gaps between latest projections vs. business plan and strategy and to perform contingency planning

and risk management.” Of course, all these elements are inherent in mature instances of S&OP and not anything new, as IBP advocates might have you believe. The Pre-S&OP sub-process, also known as Integrated Reconciliation to some, has always been the forum for generating alternate scenarios, demand or supply shaping, risk assessment, market assessment, strategic project follow-ups, etc. And the outputs of Pre-S&OP planning are typically well-vetted problem statements, sometimes / often with alternate-resolution opportunities, costs, and trade-offs. So, while less mature processes are demand consensus and supply balancing oriented, mature S&OP processes really work the Pre-S&OP sub-process to arrive at well-vetted issues and alternative scenarios to serve up to senior management.

- **Plan Gap Identification Leading to Improved / Better Decision Making.** Many authors suggest an intermingled dynamic; IBP has a longer horizon process—up to 24 months, and the longer view enables better gap identification and longer-term (strategic) decision making. In this case, one author suggests that an “extended planning horizon enables better decision making involving what is commonly called gap management.” I hate to say, but this is garden-variety S&OP. Mature S&OP processes are expected to detect gaps at the sub-process level (the Supply, Demand, Portfolio, and Pre-S&OP process steps), which are then vetted, valued, and elevated to senior management for decision making. The 24-month “longer-term” or “extended” view of forward plans cited is a time frame with which I completely agree. Curiously,

however, this extended horizon is a classic characteristic of a mature S&OP process, and not something more, new, or improved.

- **Better, Robust Understanding of the External Supply Chain, Market, Customers.** Some authors and analysts suggest that one of the differences between S&OP and IBP is that the latter leads to a better understanding and integration of the external environment. They opine that S&OP processes to date have been more inwardly focused and less customer-and market-aware. While it may be true that some S&OP instances are introverted; a mature S&OP process should extend outside the four walls of any organization. A Demand Consensus process, for example, should incorporate all demand signals: Point-of-Sale data, VMI/CPFR data, market research, etc. Product Portfolio processes should discuss competitive products and the intended reaction from a product development perspective. Customer and vendor supply chain integration is not just good S&OP, it is also a good supply chain planning process. Pushing S&OP to be more externally driven is a very smart idea; it’s just not a particularly new one.

Part of my research effort was about trying to understand the rationale behind the S&OP to IBP name change. If I were to paraphrase and integrate a number of the different reasons for changing the name to IBP (from a variety of authors), I would likely come up with the following stream of consciousness: Because S&OP is stuck in the middle management level and therefore not strategic; or because it is viewed as a supply chain function that focuses on demand, supply, and

inventory planning; or because it has stopped developing or maturing as a process—there is now a need to reposition S&OP as IBP, a broader, higher-level process than S&OP to help reengage senior management, finance, and marketing in the process, leading to better decisions and engagement. Of course, all of these reasons are in fact symptoms of a poor implementation or lack of continuous improvement within the S&OP process.

One argument common to the blogosphere is that the S&OP moniker carries with it some amount of supply chain “baggage” that seemingly can only be overcome by renaming the process. Interesting, but doubtful. If structural issues like a lack of interdepartmental synergies or poor executive involvement are hindering the effectiveness of Sales and Operations Planning, it seems likely the problem that warrants more substantive attention than a mere name change.

Another rationale posited is that many companies may think they are doing S&OP well, yet they are only executing some of the process steps. Certainly, when I was working as a consultant I encountered many organizations that claimed to be doing S&OP, yet all they were really doing was demand consensus with a little balancing and maybe a “reporting out” for a Senior Management review meeting. In these environments, it seemed that the initial implementation of S&OP failed to gain senior-management support, was poorly implemented, or did not promote continuous improvement of the S&OP process that would enable a maturation that well-formed processes can eventually achieve.

As I was still unsure of whether I was looking at IBP with jaundiced eyes, I

reached out to several colleagues in the supply chain consulting arena regarding their thoughts on IBP. Mark Wells, a Principal at End-to-End Analytics, offered this:

“S&OP is being renamed many things—S/OP (Sales Inventory Operations Planning), IBM (Integrated Business Marketing), and IBP (Integrated Planning and Budgeting, more often in service industries), but most of this is a distinction without a difference. I think this has happened, in part, because competing consulting firms insist that their S&OP approach is different from all others.”

Mark adds, *“I believe the process of intentionally incorporating all of the relevant tradeoffs in business decision-making is essentially the same, regardless of the moniker or label.”*

In one telling white paper on IBP, the authors suggest how the boxes in their IBP process model are the same as in their S&OP process model. So, while all these arguments certainly present various reasons and opportunities to refocus, to reeducate, or to re-implement with regard to S&OP, I am not convinced that globally renaming the S&OP process is a viable solution. And while I suspect these various authors are sincere in their intentions, many of their explanations fall flat. There is no real difference between IBP and S&OP.

WHY IBP?

So then, if one accepts the premise that IBP is nothing more than S&OP done well, why is it that so many folks

seek to promote the notion of IBP? What’s the motivation? In trying to find an explanation, I was drawn to a great marketing book, *The 22 Immutable Laws of Marketing*, by Al Ries and Jack Trout. In this book there are two specific rules that stand out:

- Rule #1, The Law of Leadership: It’s better to be first than it is to be better.
- Rule #2, The Law of the Category: If you can’t be first in a category, set up a new category you can be first in.

In fact, the “first to market or new category” deception trick works so well, it has been used over and over again by marketers of all sorts and types. The authors offer a great example of how this works in real life. Can you name the first person to fly across the Atlantic? Charles Lindbergh, of course. The second person? In fact, it was Bert Hinkler. He flew faster and consumed less fuel, but he is a footnote. The third person? This answer you probably know: Amelia Earhart. Why? Because she was first in a new category: The first woman to cross the Atlantic.

I thought of a few of my own examples: The first team to win a Super Bowl? The Packers. The first AFL team to win the Super Bowl? The New York Jets. The team that won last year? Hard to recall right? Can anyone name the crew of Apollo 12? I am guessing it is probably not easy for most, but with a little prodding most people can name the crew of Apollo 11—Armstrong, Aldrin, and Collins. Being first or defining a new category is important when marketing. With this concept in mind, it is not a surprise that so many people have claimed ownership or authorship over the S&OP process. Now that S&OP has become somewhat old hat, people are lining up to claim IBP. I can see the ads on TV now—“Next up on the Maury show—the DNA results

for fathering IBP.” The fact that IBP is a clone of S&OP does not matter much.

I had the luck (if you can call it that) of seeing this “new and improved” dynamic play out more than a few times during my career. I worked for two software companies and one boutique consulting firm, so I believe I have a pretty good understanding of the real rationale behind this name-change imperative; to wit, I offer the following:

- ***It’s Something New to Sell.*** Simply put, IBP gives sales personnel a new reason to call their customers or to make a new contact. Having something new to sell is very important in the consulting and software marketplaces. Furthermore, the marketing of IBP as a must-have strategic process gives people a cover story to sell into corner offices—to executives. If it hasn’t started already, be prepared for your CXOs to be harassed by the purveyors of IBP as something latest and greatest.
- ***S&OP Is Getting Harder to Sell.*** Most large to midsized companies have at least tried to implement S&OP, leaving the purveyors with fewer opportunities to sell their wares, and with smaller potential deal sizes. Re-invention of S&OP is needed for growth and, of course, everyone is lining up behind the IBP concept because it is a potential gravy train if the concept attenuates within the business community.
- ***Buzz Begets Buzz.*** If a topic is perceived to be hot, no one wants to be left out. This leads competing service and solution providers to announce “me-too” versions of IBP, even though they’re likely no different than their S&OP offerings. And white papers seemingly appear

at the speed of thought, though as far as I can tell they’re often nothing more than reworked versions of S&OP white papers, often with the original benefit statements left intact.

- ***The Experts Are Confused.*** The emergence of new and more seamless technologies to support S&OP has made technology vendors and analysts seeing this as a Eureka moment. It is possible they honestly believe that S&OP has been transformed by the availability of integrated planning tools. I would agree that S&OP supporting technology is at a transformational moment in time—detailed plans can now be generated, optimized, aggregated, valued, and alternative realities determined pretty easily. Detailed planning can be done in hours instead of weeks. However, this is not an advanced form of S&OP—it is just the fulfillment of the promise of what S&OP has always been. S&OP has been waiting for Moore’s Law and software support to catch up to some long-stated requirements. While it may seem like technology makes for more integrated planning, the reality is that many of the best S&OP implementations have already leveraged technology. Does technology make S&OP better? No, it makes the decisions better, smarter, and quicker, thereby making fully enabling S&OP, not improving it. S&OP is a process model, not a technology model. We have been waiting for the technology to catch up to the process, and it is now almost there.
- ***Research Analysts Want to Seem Smart.*** It is in their best interests to “invent” something new. They sell their opinion and insight, and

sometimes it is quite a valuable insight. However, one only needs to remember that several years ago, some of today’s IBP proponents tried foisting a “nine-step” S&OP model on industry. Let’s not forget some software companies may try to rechristen S&OP as S&OM, calling it the next latest and greatest innovation and claiming ownership of it will be a big deal.

- ***We Encourage the Bad Behaviors.*** Business leaders are always looking for some competitive advantage. We hear a buzzword and want to know more. Maybe we don’t know how to discriminate between IBP and S&OP. Maybe we buy into the argument that everyone is doing “base” S&OP, so we’d better jump aboard the IBP bandwagon or be left at a competitive disadvantage. Sometimes the problem is us.
- ***There Is No Governing Body.*** S&OP has no governing body to assure unified understanding and education. This allows re-inventors to sweep in and try staking claim to their own brand of mind-share. I am sure a governing body on S&OP would probably say “Not so quick bub!”

I asked an old colleague of mine, Glen Fossella, to weigh in on this subject. Glen ran marketing and sales for a couple of software companies, including Numetrix and Logility; he also spoke frequently with members of the research community. Glen offers the following opinion: “Companies thrive and grow on their ability to deliver new value through their products and services. Re-spinning old soap as an excuse to call on you is the last refuge of cowards. So if a vendor, either through their marketing or selling, comes at you with something ‘new’ that turns out

just to be repackaging, then you know everything you need to about how they operate." Some people may see my reasoning to be slightly cynical. Maybe. But absent logical and real points of difference between IBP and S&OP what are my options?

SO, WHAT'S THE PROBLEM?

A friend of mine asked why I was so adamant about this subject; a valid point that raises the question: Why is recasting S&OP as IBP such a bad thing? No doubt, marketers play games with branding all the time. Companies throw in fairy-dust quantities of a "good" ingredient with alleged benefits, and customers line up for the new and improved. So is touting IBP really that much different?

To me, S&OP is a process model that is just now being truly understood. Adding confusion into a marketplace that is just gaining critical-mass knowledge never bodes well for a good outcome. IBP, nine-step models, advanced or executive S&OP, S&OM—all are variations on the theme of S&OP, yet none of these has expanded the thinking around the original premise, and now all the talk of IBP just adds more confusion to an already effective process that is still firming its definition. Confusion in any marketplace hurts consumers. It leaves them unclear about what they're buying. And in the case of IBP, it promises all new and improved when what companies really need is a continuous improvement effort on their existing S&OP model. Rather than buy new, S&OP process owners need to reengage, rethink, and reenlist everyone and every step of the process they already have.

HOW TO ADVANCE S&OP

At the IBF conference where I participated on the forum about "advanced" S&OP, instead of feeding into the IBP ruse, I chose to present ideas on what should be done to advance the current state of S&OP. In my humble opinion, I believe this is where all the purveyors and experts should exert their efforts.

- **Develop an Industry Group to Create a Unified Definition of S&OP. Think of this as the equivalent of SCOR for S&OP.** Have this industry group develop open-source process models and content. Imagine a governing body for everything from standard S&OP project plans and process models to checklists, project plans, and maturity checklists. I think some consulting companies fear exposing such information to the public domain, but at the end of the day, S&OP is still a process that is best implemented with outsiders able to tell management the truth. There will still be plenty of money to be made, and sales of books and training on the subject will not decline.
- **Develop a Certification Pathway for S&OP.** To me, S&OP is a capstone discipline requiring knowledge of demand planning, supply planning, and financials as well as the process itself. Let's define a set of criteria and corresponding tests for understanding the basics, and then establish a nonproprietary certification process. If I were implementing S&OP, there's no doubt I would want someone certified to be at the helm.
- **Define a Set of S&OP Requirements for Software Vendors.** More than

anyone, software vendors need to have a better idea of what S&OP really needs in terms of support. For example, there are vendors hyping slice-and-dice capabilities and data manipulation/integration tools but have yet to develop a working version of a Supply Demand Inventory/Production, Sales, and Inventory (SDI/PSI) graph. In manufacturing companies, this is a must have. Some vendors have developed a nice SDI presentation, but cannot save different, alternative scenarios of supply and demand balancing. I viewed one such vendor without this capability earlier this week. Others have nice top-level presentations but can't drill down to the detailed plans. A governing body / industry group would enable defining these requirements.

- **Create a Top Five or Dirty Dozen Set of Standard S&OP Metrics.** Let the same industry group determine and agree on metrics and calculation methods. While some measures are unique to certain industries or markets, there are generic measures that should be used in support of any S&OP process, yet surprisingly many companies still struggle with measuring success. All the more reason to drive toward continuous improvement of installed S&OP processes rather than reinventing the wheel with an IBP cure-all.
- **Deepen the Understanding of Process Steps and Tools.** Instead of reinventing the top-line S&OP process, create enabling discussions and white papers aimed at deepening the knowledge of sub process elements. Where does trade/price promotion management fit in the S&OP process? What are the best approaches/tools to be used

for SKU management? How does S&OP work best in short product lifecycle businesses? And how can one use Six Sigma to improve the S&OP process? There are a hundred potential topics around how to “do” S&OP better. Re-invention of S&OP to the IBP terminology should be the last thought on anyone’s mind.

Perhaps most telling of all in this debate over the IBP/S&OP disconnect

is a lesson I learned seven years ago while attending an Oliver Wight “train the trainer” class on S&OP. Now, in my mind the Oliver Wight organization has defined a process model that makes sense to me and that I can believe in. I applaud them for their thought leadership. As I prepared for this article, I went back to my training materials. The following expression was the header across the top of

one of the slides: “S&OP is Integrated Business Planning.” Hmm. Imagine that.
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How to Improve the Global S&OP Process: Hollister’s Journey

By Michael Kelleher

external market forces. January 30, 2012, marked the beginning of my 18th year in the forecasting and demand planning field (with a couple of brief excursions into Internet marketing, production planning, and copywriting). I was fortunate to work for Dayton-Hudson Corporation, and then Target, upon graduating from the University of Wisconsin-Madison. As I reflect upon my experience and the subsequent journey that continues to unfold, they were pretty cutting edge in this field at the time. Each company that I worked for after Target built upon the knowledge I gained by implementing APO-DP. Through it all, one formula remains the same:

“People plus Process = Prosperity”

I prefer the term prosperity instead of profit. Profit is a financial goal whereas prosperity is an attitude, a belief system. With that said, train the right people to be our eventual replacements or our equals. One doesn’t need to be a statistician or mathematician to succeed in this field. One of the people I respect tremendously was extremely knowledgeable about demand planning; she had a French History degree and rescued injured falcons and eagles in her spare time. Eventually, she became a highly successful senior vice president with a Fortune 500

company. Treat people like family and they will treat and protect the business as their own. The most powerful and positive word of mouth for any company’s community is the persons employed, their families, and their friends. And the process rule, when idealized, is developed and nurtured by the very people who believe in it, live by it, and faithfully apply it, yields the maximum benefit. No process is perfect. No person is perfect. But what a magnificent wonder appears when they come together unified in purpose, headstrong in desire, and powered by faith in the journey. So get on the road. And don’t forget to take along a good map and a compass. *(info@ibf.org)*

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