

Integrating the Financial and Physical Supply Chain with IBP to improve S & OP.

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INTRODUCTION

In recent years, the emphasis on the financial supply chain has increased. As costs continue to rise and the Federal Reserve (eventually) raises interest rates, the emphasis on the Financial Supply Chain will surely increase. Today many businesses don't have an efficient process in place to plan for the operational and financial side of the supply chain. According to *Oracle* "Financial planning incorporates operational drivers and constraints in simplistic ways. And, operational planning models are only loosely tied to financial plans and they are often based on over-simplified financial assumptions". Also, the process of communicating critical information among various departments is often done through email, spreadsheets, and meetings. So how can a company close the gaps between these 2 planning processes? One solution to this challenge is Integrated Business Planning (IBP). IBP brings together strands of different processes (operational, finance, strategic, etc) into a single environment allowing integrated decision making. S & OP is one of the planning processes that stands to be greatly improved from Integrated Business Processes.

PURPOSE

Can Sales and Operations Planning be improved with an IBP system, and if so in what ways?

BENEFITS OF IBP

- IBP makes S & OP more profit-driven and engages executives across the entire enterprise
- IBP shares logic (BOM, inventory parameters, lead times, costs, etc) among various processes and applications. The complexity of the logic used in the models allows more accurate and farther reaching planning.
- IBP can use models that vary from one period to another
- IBP has complex utility tools that enable scenario planning for anything from a machine breakdown to a natural disaster.
- Responsibility for maintaining models is shared across the entire business which improves collaboration and decision making

HOW TO IMPLEMENT IBP

Integrating business planning has been a goal of businesses for many years but has been difficult to do in the past. The first ERP systems improved IBP significantly. As technology advances, software has become better at handling the complexity of integrating all of the data from various functional departments into an enterprise-wide systems. Today, most ERP systems can be more fully integrated to allow IBP. SAP and Oracle both offer programs that use their ERP systems to improve the IBP process. The key to meaningful integration is sharing the same models among planning applications, otherwise capability gaps will still exist.

