ITC INFOTECH

Business-friendly Solutions


# Intelligent Planning and Execution

## – A Differentiated Approach

Planning and Performance Management is all about the efficacy of the relationship and set up among the strategy of an enterprise, design and management of its operations.

The value of planning, budgeting and forecasting activities carried out by enterprises is based on establishing transparency, coherence, collaboration and a steady outlook across the enterprise and are foremost in driving and sustaining growth.

However, the reality of today might turn out to be very different from the reality of tomorrow – this is one of the most critical riders that each enterprise which wants to be a part of the aforesaid growth will be encountering hence should be prepared for – at least as far as its strategic schema is concerned; as the ever-fluctuating market state of affairs will rarely (if at all) accord it any breathing space.

In the above context, it is of cardinal significance to be able to – maximize returns in dynamic markets, minimize associated operational and financial risks, and thus make better and more informed strategic business decisions. Enterprises today are thus aggressively pushing for incorporating the best-in-class planning and budgeting practices for achieving better, more **Intelligent and highly flexible planning, budgeting and forecasting operations;** which in turn would transcend into improved response to market conditions and enhanced positioning for new opportunities

## The aforementioned Intelligent Planning and Budgeting serves two overarching purpose

### 01 Management control

Planning and Budgeting impart two major types of management control:

- **Setting up of Goals:** This kind of control ingrains organizational values (related to vision, mission and objectives of the organization) to its employees
- **Boundary:** It sets organizational limits and regulations on employee activities and conduct

## 02 Performance measures

- **Diagnostic:** This acts as a lagging indicator of performance of organization and its employees against an accepted benchmark and to further improve
- **Interactive:** This set of performance measures proactively captures organizational dynamics and feed them to a coherent decision-making system to make it more responsive, rather proactive to the changes in a competitive landscape and remain prepared for exigencies which may arise in future


*Intelligent Planning and Budgeting as a Control and Performance Measure*

This paper's goal is to bring about a re-thinking of the budgeting and planning processes of a typical CPG or Manufacturing enterprise by incorporating industry-accepted best practices thus enabling and optimizing planning and budgeting benefits yet minimizing the turnaround time by elimination of non-value added redundant manual planning and budgeting processes.

And we have based it on the knowledge we, at ITC Infotech, have acquired by minutely analyzing corporate planning and budgeting cycles, by interacting with our extended global customer base and by extensively studying the best practices during related stints.

# Issues faced in conventional planning budgeting processes

## 01 Manual and slow planning process

- Manual process in budgeting model is prone to human error. Also, it has become almost impossible to integrate scattered information from various upstream source systems for doing integrated enterprise level analysis. Manual process does not ensure all necessary checks during any change or updating of a business scenario.
- The average time consumed for a typical planning cycle to get completed is between four and five months, by when it comes dated, hence rendered irrelevant. It also involves huge bandwidth utilization of middle and higher management (20 to 30 percent of senior executives' time). Some organizations have attempted to place a cost on the whole planning and budgeting process which can amount to $1.2 billion per annum or more

## 02 Lack of work-flow control and different source of truth

- Limitations in maintaining workflow result in a situation where planning and budgeting accountability of various functions is utterly obscure. Moreover, huge chunk of data need to be accessed simultaneously by various users belonging to multiple hierarchies of the organization
- Simple spreadsheet-based budgeting practice faces difficulty in accommodating consistent workflow as well as user concurrency thus not able to drive consensus among functions. Organizations source information from various source systems for their Annual Planning and Budgeting exercise. The format of information often leads to nonstandard disparate information sets which are not comparable. Hence it calls for a unified platform where the information/data can be harmonized and coherently used for enterprise level Planning and Budgeting

## 03 Incorporation of changes

- Ever-changing business conditions require companies to incorporate the effect of any kind of changes (e.g., new product line introduction, new pricing strategy etc, non availability of raw material, sudden obsolescence of a product line) in their planning and budgeting, which is very time consuming and inaccurate in traditional budgeting process
- Moreover, because of time taken in incorporating changes in budgeting model, it turns out to be difficult to forecast performance and decide on corrective actions on a periodic basis
- Depending on type of industry – B2B manufacturing or FMCG, firms change their planned numbers almost every quarter if not more within the fiscal cycle, resulting in making it imperative to have sufficient dynamicity and flexibility in the planning and budgeting process

## 04 Scenario analysis

- Along with ever-changing market dynamics and competitive landscape, it is important for senior management to create/incorporate various planning and budgeting scenarios and make comparison to choose best possible decision/action, which again if done manually results in sub-optimal decisions for dealing with disparate data which lacks veracity for making business decisions

## 05 Lack of security and access control

- Budgeted data get distributed across breadth and depth of the organization. It is imperative that the information gets shared as per need-to-know basis for each business or shared service unit. Therefore, security and access control of budgeted data become of paramount importance

### 06 Budgets fail to focus on shareholder value

- Traditional Budgets focus on internally negotiated targets which are influenced by internal organizational power centers which tend to be incremental changes from the previous period's outcomes. The result is a target that the budget may be comfortable internally, hence in the process often loses its efficacy in focusing on shareholder's value creation. Inclusion and integration of organization level objectives and cascading it down to functions or departments ensures that the entire organization is working towards a common goal

## Planning & budgeting illustrative leading practices

Transitioning ahead, a study on budgeting and planning best practices follows:

### 01 Ensuring corporate objectives are best aligned with the organization's budgeting process

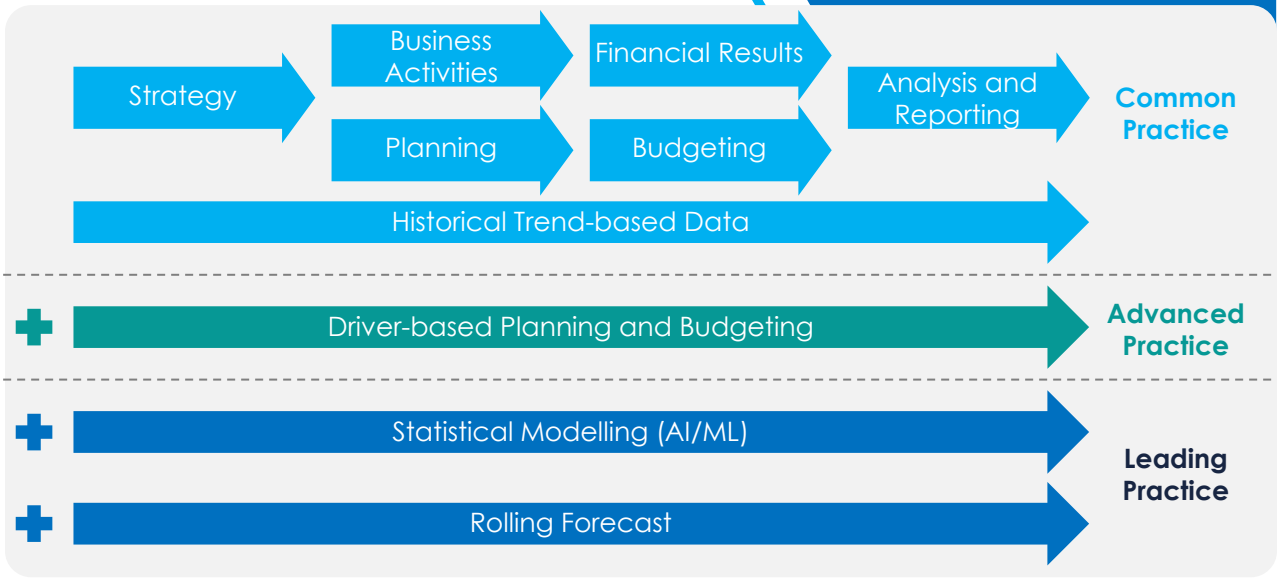
- Reaching a healthy mix of top-down and bottom-up budgeting so that there is a transparent and two-way communicable link between a firm's strategic planning (which qualifies and decides its high-level targets for the period in question) and the budgeting procedure (which quantifies those same high-level objectives in terms of resource allocations). This goes a long way in minimizing budgeting pain and also making it relevant. Here is how:
  - Transparency through fluid information flow / better communication channels promotes participation and negates suspicion in the ranks
  - Effective communication allows top management to formulate strategic goals in conjunction with middle/operations management – people who are directly involved in the day-to-day functioning of the organization
  - Almost everyone throughout the organization is on the same level of understanding as far as strategic goals are concerned and their role towards its fulfilment
  - Such clarity in vision, in turn, ensures that departments produce their budgets inclusively rather than in seclusion, leading to better coordination of tactics and streamlined support activities amongst the functions
  - Being aware of the organization's goals, departments set their budgets to support those goals, thus needing fewer amendments consequently making the budgeting process less expensive, not onerous and time consuming

## 02 Designing comprehensive budgeting procedures to ascertain desired results

If we look beyond the apparent planning and budgeting benefits, we can realize the hidden truth of why it is such an important aspect of any organization's functioning. It is nothing but recognizing the factors vital to a company's success – KPIs and identifying the ways in which those same factors relate to the key performance indicators used to measure the company's growth – Business Drivers – categorised as Revenue Drivers and Cost Drivers. To ascertain the same, fully detailed and all-inclusive Budgeting processes need to be designed.

- The planning and budgeting acts as a "sanity check" for the strategic plan and thus follows the logical conclusion that only sound budgeting procedures can ensure that the plans transpire into action
- Planning and Budgeting essentially means resource / fund allocation. Consequently, to form sound procedures one requires individual but holistic identification of specific objectives and associating them with appropriate drivers for optimum resource allocation throughout the organization. For example, if a target objective for a Manufacturing company is "less than 1% defective products", the drivers for achieving the same will have to be "ensuring stringent and state-of-art Product Quality tests" and "keeping track of Products sold vs. Products returned / repaired"
- Still, it must be kept in mind that striving for detailed budgeting procedures shouldn't result in overburdening the same procedures with unnecessary levels of granularity, which will just make the process cumbersome without adding any significant value. For example, budgeting at a project / module level where detailed tracking of costs is not required rather than budgeting at individual line-item level is always a sensible move
- Proper documentation, detailed communication, thorough guidelines, accurate timelines, clear objectives, and appropriate resource assignment will all attribute to lesser gaffes, enhanced efficiency and increased accountability for the resources / departments responsible for completing the tasks
- Integrated Approach of Driver-Based Planning and Rolling Forecast: Rolling forecast acts as a practice of prime of importance in any budgeting or planning activity. Absence of rolling forecasting results in variance analysis not revealing true picture thus leading to incorrect conclusion/ decision
- Rolling forecasting needs to be integrated with driver-based approach by leveraging both financial (future demand of commodities) and non-financial (operational) data (customer satisfaction, number of customer complaints) etc. to achieve optimal effectiveness of budgeting practice
- For a forecasting accuracy of +/-5% or more, the value attained by shareholders increases by 46% in three years compared to just 26% increase in the rest
- The following figure gives a comparative overview of Archaic/poor practice versus Common Practice and Leading Practices, including in progressive manner, the involvement of Reporting, Forecasting and Rolling Forecast

## Leading Practice




- External data (change in macroeconomic scenarios like tax regime, commodities price, infrastructural changes) is captured and are integrated with internal cost data (like production costs, warehousing cost, overheads) to arrive at strategic decisions (like buy vs. Build decisions, production and warehouse location, contract management) along with operational decisions (like product mix optimisation, centralizing or decentralizing distribution) to decide on focus area of product/ services

## 03 Activity-based budgeting approach

Activity-based budgeting is a derivation from activity-based costing (ABC). Activity based costing establishes a clear nexus between resources to activities and corresponding cost objects or services, resulting in calculation of actual cost consumed by each cost object or services. This helps in preparing accurate budget promoting optimal transparency (eliminating hidden costs) and accountability (managers having accurate control over the resources). Moreover, it leads to following potential benefits:

- Assignment of optimal resources based on envisaged needs – Pull Based Planning
- Clarity on most and least expensive products/ services, resulting in visibility in true product/ service profitability
- Assessment of existing efficiency of the organization. This would help decision on Capex investment or disposal
- Determination of appropriate cost baseline which may be influenced through future process or technology overhaul that reduces effort requirement for the activity

# Illustrative planning and budgeting process of a typical CPG/process manufacturing company following industry leading practices

Planning and budgeting process of a typical CPG or a process manufacturing company follows a sequence of activities and authorizations:

**STEP 01**

4-6 months prior to the start of the Planning year, company leadership shares and discusses the goals and business expectations (based on new product launch in existing market, inclusion of new market and plan for existing market share expansion) for the next Annual Operating Planning period and next 2-3 years with executive committee to prepare the strategic plan – (formation of cross departmental executive committee led by CFO's office is key to success)

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**STEP 02**

Executive committee along with CFO's office prepares 1-3 year strategic plan with revenue, cost and profit targets. Following are the two more activities done by executive committee in this context:

A. Basis the business expectation and goals shared by leadership it provides its inputs/feedback to leadership/CFO's office for revisiting the enterprise level SWOT

B. In coordination with Departmental/Functional Managers Data Sharing matrix is envisaged, which details out on type and granularity of data that will be shared with which departments/ individuals to have a control on information sharing

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**STEP 03**

Executive Committee completes SWOT analysis (based on high level revenue, profitability and Capex and Opex and Manpower Plan) with an aggregation at corporate level, and a breakdown at Business Unit, Zones and Product and Channel combinations and finalises guidance on Annual Operating Plan and Strategic plan

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**STEP 04**

The Business Unit/Zonal Managers shares the Annual Operating Plan and Strategic plan with Sales and Marketing to plan in line with the Annual Operating Plan and Strategic plan. It is also shared with other related departments such as production and finance. Any feedback received from departments are analyzed and passed on to executive committee, if required, for revisiting the strategic plan

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**STEP 05**

Sales and Marketing team comes up with plan for the zone, customer wise product mix etc. Following incorporation of changes in marketing plan by executive committee, sales plan is finalized and aggregated from a Business Unit/Zone to corporate level

STEP 06

Once the demand is finalised, Business Units/Zones create their production plan , material requirement plan, purchase and capex plan, IT, HCM Plan, etc.

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STEP 07

Once Executive committee and CFO's office receive data from Business Units/ Zones she/he carries out verification with respect to:

- Pricing of products
- Impact of promotion on volumes
- Cost per unit for variable cost line items
- Capture and allocation of fixed costs
- Authenticity of the numbers
- Completeness of data
- Relevance of data

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STEP 08

CFO's office prepares income statement, do profitability analysis of planned numbers. The planned numbers are evaluated against the goals/business objectives set up by Executive Committee. The Executive Committee provides its recommendation to Business Units and Zones, in case of any deviation

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STEP 09

Business Units/ Zones review the recommendation and incorporates the same if required in consultation with Executive Committee and CFO's Office to finalize the plan

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STEP 10

The finalized plan is sent to CEO Office for approval at each Business Unit/Zone level aggregated to Corporate Level

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STEP 11

Once CEO approves the Annual Operating Plan and Strategic Plan, Executive Committee consolidates all planned numbers if any change is required as per CEO

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STEP 12

Following approval from CEO, the Plan is sent to the board for its approval

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STEP 13

The Plan is published on Board's approval and locked for the future performance management

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STEP 14

The CFO's Office reviews the plan on a monthly basis and compare budget vs. actual. The reasons for variances (on feedback from respective departments) are analyzed with action items. The same is reviewed with the Business for root cause analysis and shared as input for rolling forecast

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STEP 15

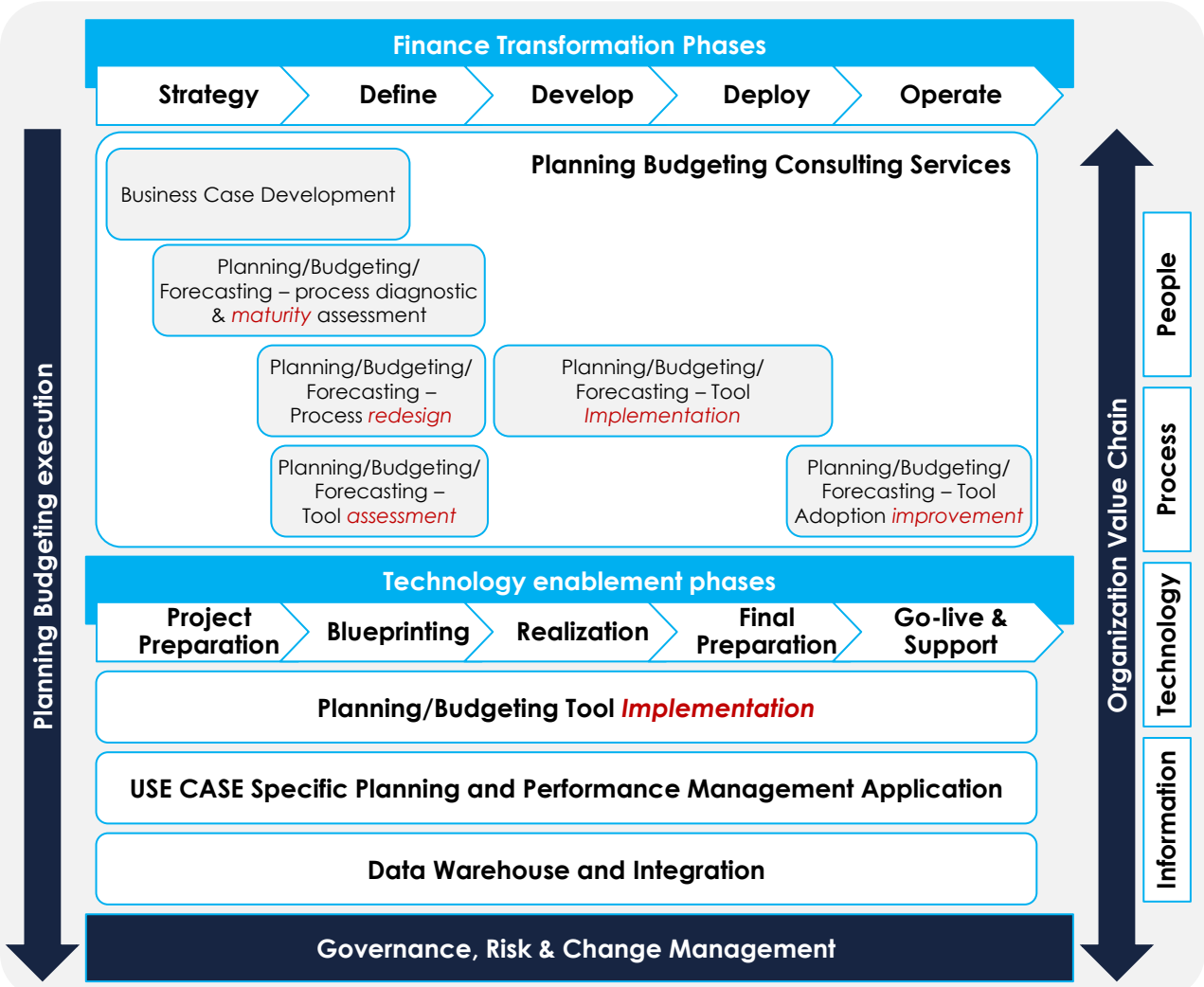
Board, Executive Committee, Management Accounting Dept and GMs reviews the plan every quarter/month as per the requirement of the industry to forecast/re-forecast for the remaining period of the year

# ITC Infotech's Intelligent Planning and Execution Practice and Implementation Approach

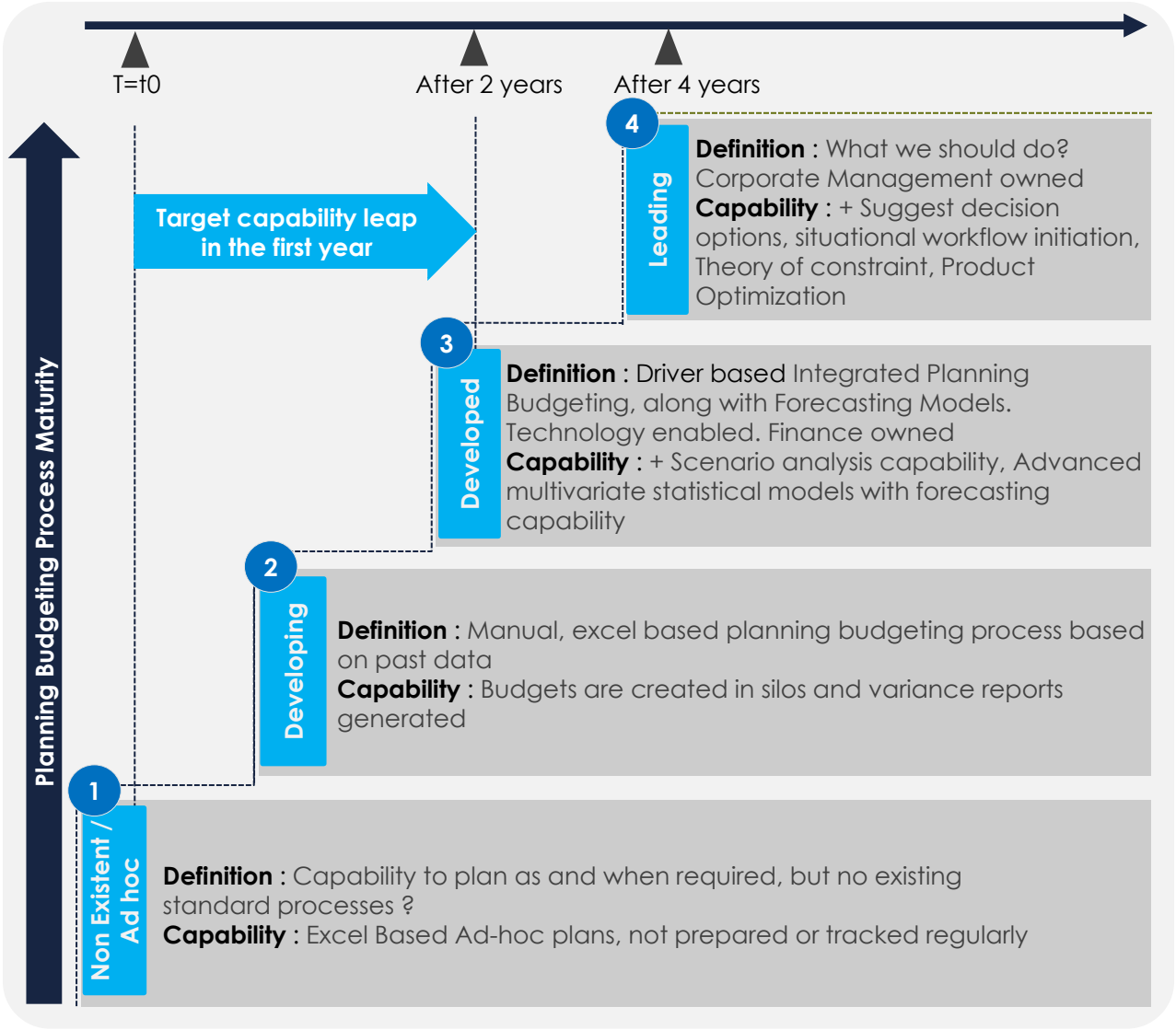
**ITC Infotech's Intelligent Planning and Budgeting practice encompasses right from:**

- Business Case development for the client organisation
- Process maturity curve assessment and enhancement/redesign advisory as per industry leading practices
- Planning and Budgeting Tool Assessment
- Implementation of tool
- Post Implementation Benefit Realisation Assessment

**The following figure depicts the various areas of our practice along with their phasing:**



With respect to the assessment of Process maturity curve assessment we evaluate the organisation against the below mentioned stages and also advice a progressive road map to its desired maturity. The following figure depicts the different stages of process maturity:



# Our Core Expertise in Intelligent Planning and Execution

| 50+ Implementations | 60+ Deployments | 55+ Certified Anaplan Consultants | 16+ Solution Architects & Master Anaplanners |
|---|---|---|---|

| Drive Top-line Growth | Lower COGS, Return on Assets | Deliver Bottom Line Results | Deliver Profitable Growth | Make Strategic Choices |
|---|---|---|---|---|
| **Sales & Commercial Planning** | **Supply Chain Planning** | **Financial Planning** | **Marketing** | **Corporate** |
| ▪ Sales Forecasting<br>▪ Territory & Quota Planning<br>▪ Incentive & Compensations<br>▪ Trade Promotion Planning & Optimization<br>▪ Customer Investment Planning<br>▪ Assortment Planning | ▪ Demand Planning<br>▪ Demand Sensing<br>▪ Sales & Operations Planning<br>▪ Production Planning<br>▪ Supply Planning<br>▪ SC Risk and Resilience Planning | ▪ Planning, Budgeting & Forecasting<br>▪ OpEx Planning<br>▪ CapEx Planning<br>▪ Product Profitability Modelling<br>▪ Cashflow and Working Capital Forecasting<br>▪ Zero based budgeting | ▪ Marketing Spend Mgmt.<br>▪ Media Planning<br>▪ Campaign Planning | ▪ Long Range Planning<br>▪ Strategic Planning<br>▪ Product Portfolio Planning<br>▪ Workforce Planning<br>▪ Staff Scheduling and Optimization |

**Planning CoE / Planning as a Service / Support Services**

| | | | | |
|---|---|---|---|---|
| Specialized Planning SMEs Industry & Functional Experts | Powered by Industry Templates and Solutions | Outcome-linked Delivery Model | Rapid time-to-value with our accelerators | Frameworks for multi-cloud integration and AI/ML & Optimizer |

# Implementation Approach

ITC Infotech's methodology for delivering the Intelligent Planning and Budgeting Solutions is based on Anaplan Connected Business Planning Framework and follows Agile methodology for implementation. This ensures accelerated realization of the customer's requirement coupled with reduction of execution risks for Customer.

# Our Implementation Approach

Jumpstart the Transformation Journey
for Rapid, Time-bound Execution

| **Explore**<br>with Discovery Workshop | **Pilot**<br>for Proof of Value | **Scale**<br>with Connected Planning |
|---|---|---|
|  |  |  |
| Exploratory discussion on potential use cases aligned to business objectives and propose a Proof of Value/Pilot | Demonstrate the proof of value for a prioritized use case and define a future platform roadmap | Expansion through continuous value delivery |
| **One Day Workshop** | **3D-3W-3M/Use case** | **3-24 Months** |
| Use case prioritization<br>Demo<br>User Journeys<br>Scoping | Use case-led MVP/pilot<br>Planning Roadmap<br>Data Landscape Assessment | New Use Cases (DBT)<br>Planning-as-a-Service<br>Planning CoE<br>Ongoing Support<br>Integration & Data Foundation |

# Our Key Differentiators

## Flexibility

- Offered as a fully integrated offering and as modules as the case may be
- Would easily integrate with any brown-field scenarios

## Adaptability

- Platform neutral core process templates adjusted for firms with different level of process sophistication
- Every module is individually compatible with up-stream and down-stream applications

## Pricing

- Range of pricing options to offer additional flexibility and skin in the game
- Capacity based
- Use-case based
- Outcome based (if attribution is unambiguous)

## Speed to Value

- Pre-Built Assets in the space of Financial Planning, Supply Chain Planning, Trade Promotion and Marketing Planning
- Accelerators of repository of Business Drivers
- Built-in provision for external data pipeline

## Multi-modal delivery

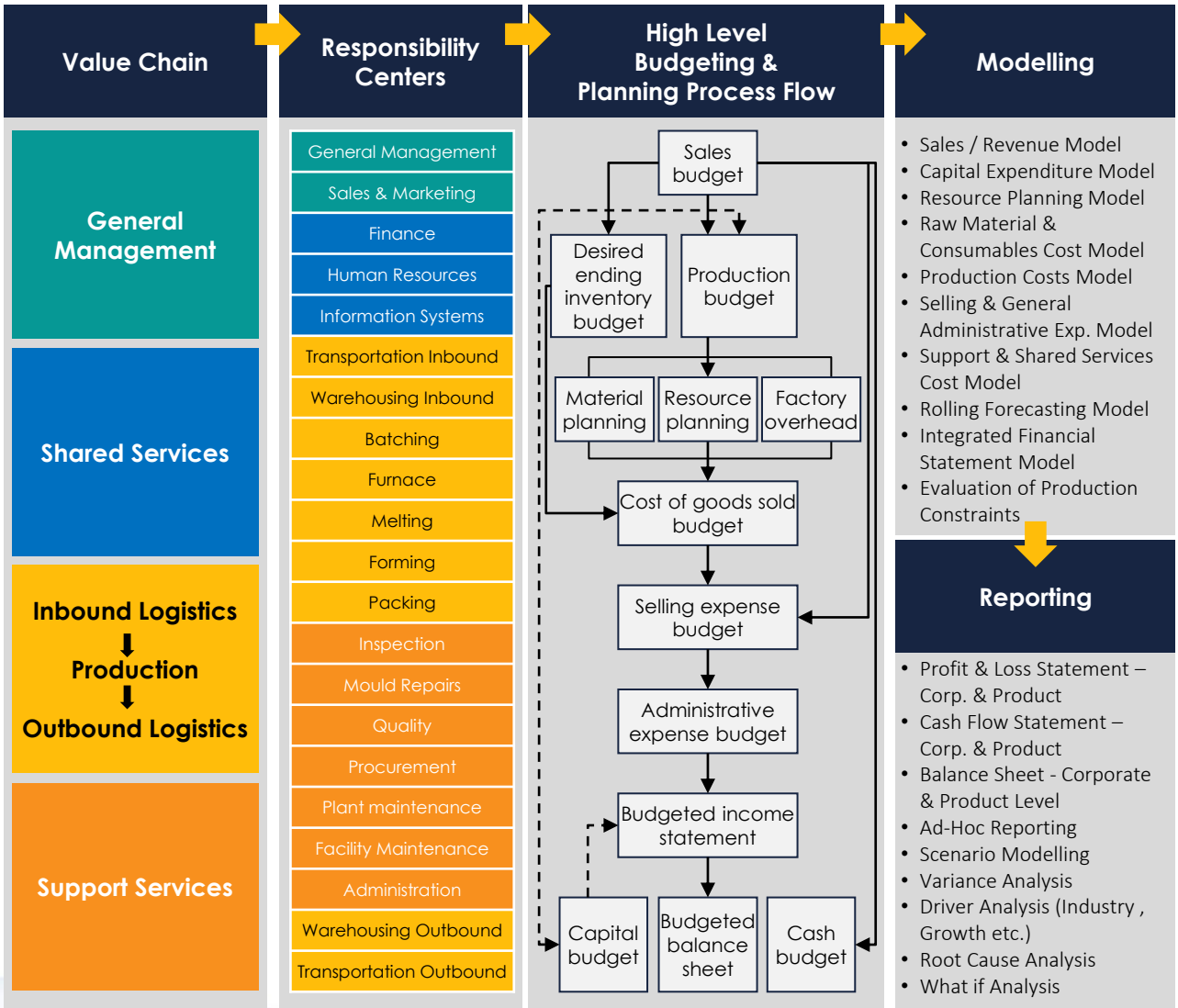
- Offered as projects , as a service or as COE
- Transition to a COE model
- Operating model of a full blown trade COE – responsible for both change and run

# Appendix: One of our Intelligent Planning & Budgeting Pre-Built Accelerators for CPG or Process Manufacturing

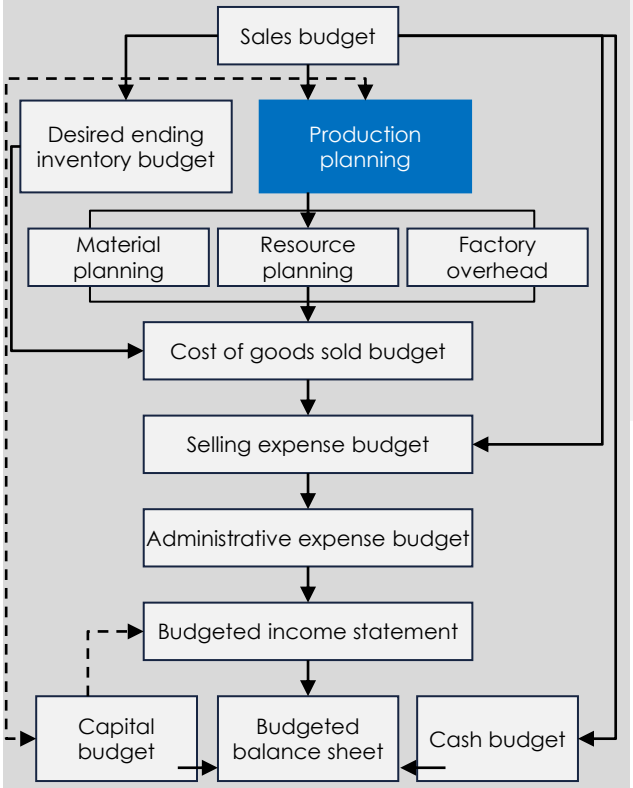
## Planning for Production Constraint Scenarios (*illustrative example*)

A macro level production planning model that can effectively plan the optimum production schedule given a constraint in the production process or any resource availability and determine impact on the bottom line.

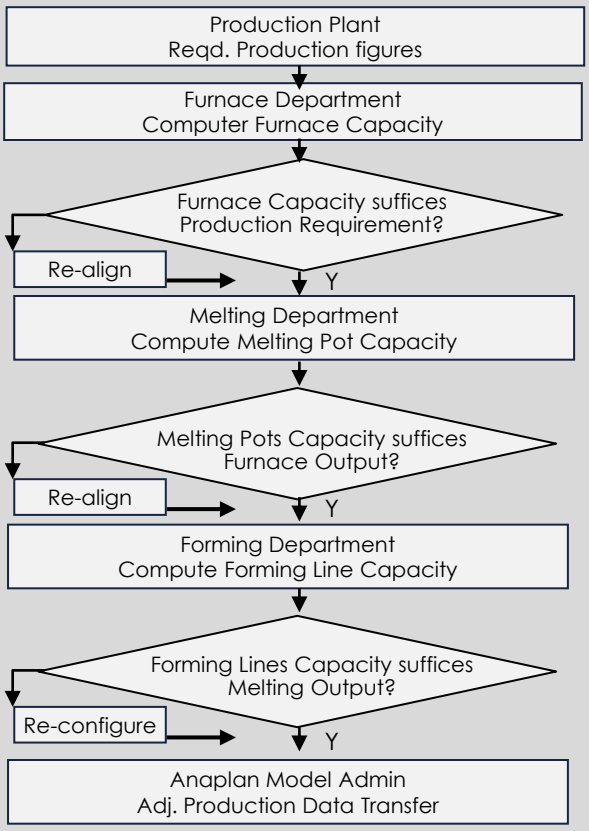
### Process flow depicting Production Planning in Constraint Scenario:



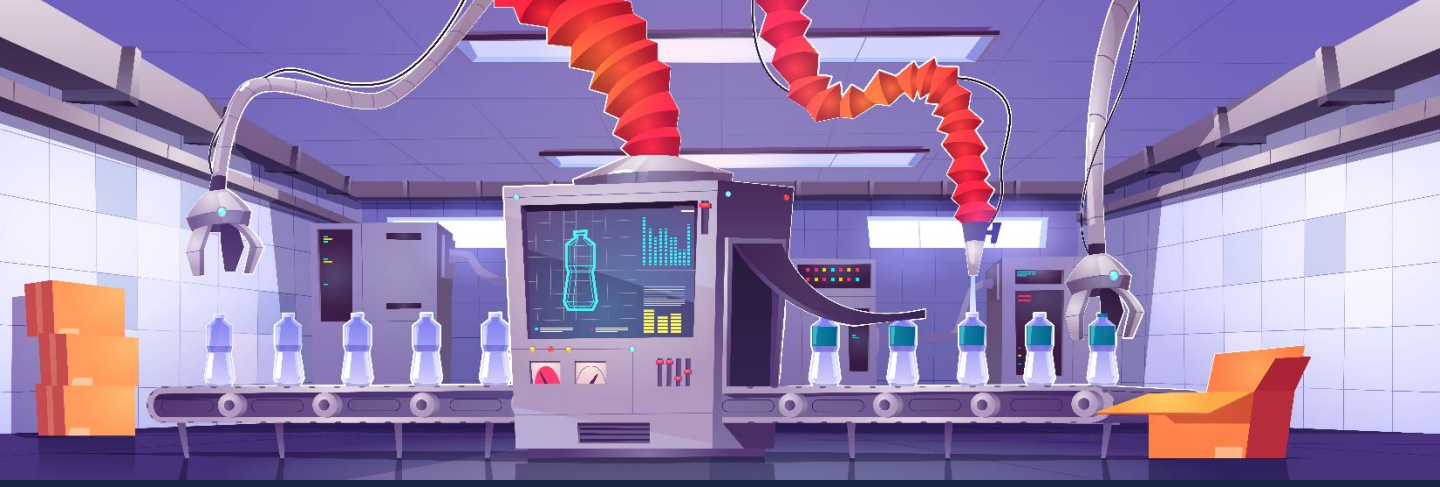
## High Level Budgeting & Planning Process Flow




## Production Planning Workflow




| Conditions for Decision Making | | | |
|---|---|---|---|
| Capacity Utilized | Number of Constraint Occurrence (x) | Decision | Remarks |
| 50% - 70% | x < 4 | Capacity Realignment | Pull production schedule back to previous month over multiple batches depending upon average capacity utilization |
| 50% - 70% | 4 < x < 8 | Capacity Realignment | Realign production schedule during the lean periods along with logistic planning |
| 50% - 70% | 8 < x < 12 | Capacity Realignment | Unlikely Scenario |
| 70% - 90% | x < 4 | Capacity Realignment | Pull production schedule back to previous month(s) over multiple batches depending upon average capacity utilization |
| 70% - 90% | 4 < x < 8 | Capacity Realignment | Realign production schedule during the lean periods along with logistic planning |
| 70% - 90% | 8 < x < 12 | Capacity Realignment | Realign production schedule during the lean periods along with logistic planning |
| @ 90% | x < 4 | Partial Outsourcing | Production schedule realignment not possible. Partial outsourcing (job work) required as a short-term solution |
| @ 90% | 4 < x < 8 | Partial Outsourcing | Same as above |
| @ 90% | 8 < x < 12 | Investment in Capex | Capex investment / capacity expansion required as a long-term solution |



# An Illustration

Customer is in glass bottle manufacturing for one of the leading global beverage manufacturer based out UK. It wants to evaluate its production capacity available on a monthly basis against the demand plan and take relevant decisions if it is found in excess or short.

3 product lines each having 3 SKUs. First cut production planning is done based on sales budget which might require realignment based on any production constraints. Following steps explains the method for production realignment decision.

Production order flows through 3 sub-processes: Furnace, Melting and Forming.

## 01 Furnace

Practical Capacity of each furnace is 12 tons per batch with a total of 2 batches per day. If any furnace line faces capacity constraint (cross 100%) as per production schedule, unutilized production capacity of previous period (weeks/days) can be leveraged by realigning production schedule

## Melting 02

Practical capacity of each melting pot (2 dedciated melting pots for each category) is 201 metre cube. Need to test whether input from furnace (irrespective of realignment) exceeds maximum practical capacity of melting pot. In case capacity is exceeded, go for new installation

## 03 Forming

Forming lines are interchangeable and the PSI (Pressure per Square Inch) can be reconfigured as per the requirement. Hence, at any point of time, it can be changed as per the input from upstream production processes

The Intelligent Production Planning model helps the business to consistently re-evaluate the future product demand vs. resource availability and reconfigure their operational/ production plan accordingly in order to maximize profitability

# Business Benefits

Apart from the afore-mentioned features and functionalities, the model helps in realizing the following business benefits:

01 ❖ **Elevation of Production Constraint:** How different flexible production scheduling options and combination of them can be used to elevate a constraint

02 ❖ **More Accurate phasing for Capex Decision:** Capex decision can be optimally phased by logically aligning to future production and revenue pipelines

03 ❖ **Logical Data Integration:** Collating unstructured data and information in different applications into one repository

04 ❖ **Decentralization of Responsibility:** Handing over onus and accountability to department managers for their budgets

05 ❖ **Workflow Control:** Configurable business process flows guide users and drive process consistency

06 ❖ **Transformational:** Streamlining from manual and error prone Spreadsheets to automated and more accurate forms and reports

07 ❖ **In depth Analysis:** Enabling calculated decision making by providing different version – with causal modelling scenarios

08 ❖ **Driver based Planning:** Enabling tracing back of costs to the last detail and ensuring transparency between departments

09 ❖ **External Benchmarking:** Best practices incorporation can be initiated for further process improvement


## About ITC Infotech

ITC Infotech is a leading global technology services and solutions provider, led by Business and Technology Consulting. ITC Infotech provides business-friendly solutions to help clients succeed and be future-ready, by seamlessly bringing together digital expertise, strong industry specific alliances and deep domain expertise. The company provides technology solutions and services to enterprises across industries through a combination of traditional and newer business models, as a long-term sustainable partner.

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