Integrated Business Planning
Linking Demantra S&OP and Hyperion Financial Planning
Agenda

- Business Challenges & Opportunities
- Supply Chain Operations Planning / S&OP
- How S&OP Link to Finance
- Process Flow
Planning Across the Corporation

Many critical planning processes, too many spreadsheets

Customers

Suppliers

Finance

Supply Chain

Marketing

R&D

Partners

Supply Chain Planning
Demand Planning
Sales & Operations Planning

Collaborative Planning
Design Collaboration

Sales Forecasts
Market Requirements

Forecast Collaboration
Product Requirements

Excess & Obsolete Inventory Exposure

Revenue Planning
Profit Planning
Working Capital Planning

Product Forecasts
Promotion Plans

New Products Planning
SKU Rationalization

New Product Launch
Product Life Cycle Plans

Business Plans
Sales Forecasts

Key Account Planning
Product Allocation

Sales

Operating Plan

Profit Planning

Working Capital Planning

Financial Planning & Goals
Strategic Planning

Sales Forecasts

Market Requirements

Partners

Customers

ORACLE
Finance and Operations Not Aligned
Disconnect between the financial and operating plans is critical obstacle

**Financial Planning**
- Financial plans do not reflect operational realities
- Revenue forecast is unreliable as it not adjusted reflect operating forecast
- Strategic financial plans lack bottom up validation
- Financial planning uses discrete periods and looks backwards

**Sales and Operations Planning**
- Operating plan not directly aligned to financial targets
- Impact of demand and supply changes not visible to finance
- Operating plan has little top-down validation and decisions made without considering financial impact
- Operating plan is continuous and forward looking

ORACLE®
Gartner’s View on Addressing These Challenges

Key Findings:

- S&OP processes are focused on operations (demand and supply balancing) but devoid of strategic and financial planning
- Integrated Business Planning (IBP) is the strategic modeling and reconciliation process that closes the gap between strategy and operations
- Corporate Performance Management (CPM) should provide the key performance framework for IBP and S&OP
Need For Integrated Business Planning

“Integrated business planning…fills the gap between the strategic and financial planning handled by corporate performance management suites and operational planning focused on the supply chain. S&OP has failed to bridge this gap and has remained rooted at the operational level.”

Gartner (2007)

“What for decades has been a financial budget exercise to manage expenses has morphed to a continuous, integrated business planning process that aligns the entire business toward operational and financial excellence.”

AMR Research (2007)
Agenda

- Business Challenges & Opportunities
- **Supply Chain Operations Planning / S&OP**
- How S&OP Link to Finance
- Process Flow
# Supply Chain Management

<table>
<thead>
<tr>
<th>Stage</th>
<th>Suppliers</th>
<th>Tactical</th>
<th>Operational</th>
<th>Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make</td>
<td>Design</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliver</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Suppliers

### Strategic
- **What?** Establish objectives, policies and operating footprint
- **How much?** Deploy resources to match supply to demand
- **When? Where?** Schedule, monitor, control and adjust production
- **Do** Buy, build, store and transport

- Objectives
- Supply policies (service levels)
- Network design
- Collaborative demand forecast
- Procurement, production, logistics plan
- Stakeholder inventory targets
- Work center scheduling
- Supplier scheduling
- Customer order promising / tracking
- Order cycle
- Material movement
Supply Chain Management

- Design
- Procure
- Make
- Deliver
- Sell

- Suppliers
- Customers

- Strategic Network Optimization
- Advanced Supply Chain Planning/PDP
- Production Scheduling
- Trans. Mgmt
- ATP
- Demand Management
- Trade Promotions Planning
- Forecasting
- Inventory Mgmt
- Warehouse Management
- Sales Order Management
- Business Intelligence

- Product Data Mgmt
- Procurement Management
- Shop Floor Mgmt
- Business Intelligence

- Sales & Ops Planning
- Forecasting

- Sales Order Management
- Business Intelligence
Supply Chain Management

- Strategic Network Optimization
- Sales & Ops Planning
- Advanced Supply Chain Planning/PDP
- Production Scheduling
- Trans. Mgmt
- ATP
- Sales Order Management
- Warehouse Management
- Shop Floor Mgmt
- Inventory Mgmt
- Procurement Management
- Product Data Mgmt
Agenda

- Business Challenges & Opportunities
- Supply Chain Operations Planning / S&OP
- How S&OP Link to Finance
- Process Flow
How can Hyperion and Demantra address this?

- **Focus is on M&D industries where a comprehensive demand forecast, combined with S&OP, is a requirement**
  - Demantra Demand Management provides flexible statistical forecasting models to sense and decompose demand elements and to create a Consensus Demand Forecast
  - Demantra Real-Time Sales and Operations Planning provides collaborative environment that spans LOB’s
- **Demantra provides the ability to link dollarized finance/sales plan from EPM with a unit-based SCM/manufacturing plan that is actionable**
  - Bottom-up planning and simulation to validate against top down financial performance targets, and to provide adjustments
- **Hyperion-Demantra integration helps to operationalize Integrated Business Planning for M&D industries**
- **Expand Hyperion IBP to Oracle IBP**
Integrating the Business Planning Process
Many planning processes must be aligned

Corporate Finance
- Long-term financial plan
- Revised LT financial plan

Financial Planning and Accounting
- Initial annual budget
- Operationally feasible annual budget
- Rev shortfall Monitor & re-plan

Sales & Marketing
- Baseline LT sales forecast
- Sales and marketing plan
- Create consensus demand plan
- Shape demand to fill shortfall

Supply Chain
- LT demand & supply (capacity) plan
- Supply chain costs and constraints
- Constrained operation plan

ORACLE
Oracle Integrated Business Planning

Create Broader Solution Set for a Company’s Executive Leadership

Integrated Business Planning

Enterprise Performance Management

Financial Planning and Budgeting

Sales and Operations Planning

Consensus Demand Management

Supply Planning

Demand Planning

Supply Chain Planning

ERP Systems

Legacy

SAP

Oracle

Infor

Finance

Marketing

PLM

R&D

CRM / SFA

Sales
Oracle Integrated Business Planning

**Detailed Functional Elements**

- **Strategic Financial Planning**
  - Create long-term plan
  - Manage cashflow and value creation
  - Analyze M&A, divestitures and strategic alliances
  - Evaluate financing options
  - Optimize capital structure

- **Profitability and Cost Management**
  - Identify cost and profit drivers
  - Allocate costs and revenues to departments, activities and products
  - Calculate and analyze product and customer profitability
  - Perform root cause analysis

- **Budgeting and Forecasting**
  - Manage annual budgeting
  - Manage periodic forecasting
  - Plan workforce and capital assets
  - Leverage what-if scenario planning
  - Analyze COGS and margin

- **Sales & Operations Planning**
  - Balance demand and supply
  - Deliver consensus planning across sales and operations
  - Maintain plan in near real-time to respond to variability
  - Monitor operations performance

- **Demand Management**
  - Sense demand based on near real-time sales capture
  - Manage statistical forecasting and demand modeling
  - Plan demand across multiple dimensions
  - Collaborate on consensus demand forecast

- **Supply Chain Planning**
  - Plan supply based on constraints
  - Manage production and distribution planning
  - Determine safety stock levels and order policies

- **Rapid Planning**
  - Analyze what-if S&OP scenarios
  - Optimize supply chain network based on flexible objective functions
  - Simulate contingency and scenario planning

- **Annual Plan**
- **Budget**
- **Financial Forecast**

- **Consensus Plan**
  - Sales Volume
  - Operating Volume
Conceptual Deployment
Aligns planning across multiple systems

ORACLE
Sales & Operations Planning

Executive Review
- Financial metrics & variances

ORACLE
Global Demand Management
- Operational metrics & variances
- Consensus Demand plan

ORACLE
Demand and Supply Balancing
- Capacity models & constraints
- Demand Plan & Product mix

ORACLE
Event-Based Planning
- Revenue & Profit targets
- Standard costs, ASP

ORACLE
Hyperion Planning
- Revenue & Profit targets

Customer Relationship Management
Siebel
- Promotions & Lift

Demand Planning
- JDA

Supply & Capacity Planning
- SAP APO

SAP ERP
- Operational metrics & variances
- Financial metrics & variances
- Consensus Demand plan
- Demand Plan & Product mix
- Capacity models & constraints
- Revenue & Profit targets
- Standard costs, ASP
- Revenue & Profit targets
- Revenue & Profit targets
Familiar User Experience, Better Data

Purpose built UIs enable easy adoption of more comprehensive planning

- Hyperion Planning budgets used as financial performance targets in Demantra S&OP
- Incorporate consensus forecasts from Oracle S&OP to improve financial planning, budgeting and forecasting in Hyperion Planning
- Financial analysts work in UI built for financial analysis
- Demand and supply planners work in UI designed for sales and operations planning
- Data is moved as required between planning environments
## Link Financial Planning with S&OP

EPM-Demantra AIA Integration

### Annual Plan
- Operating Revenue: $426,390,811
- Net Revenue: $426,390,811
- Cost of Sales: $330,903,229
- Gross Profit: $95,487,582
- Operating Expenses: $93,192,469
- Operating Income: $2,295,113
- COGS: $330,903,229
- Fee Outside Services: $100
- Operating Expenses: $100
- Net Income: $94,312,642

### Budget
- Operating Revenue: $426,390,811
- Net Revenue: $426,390,811
- Cost of Sales: $330,903,229
- Gross Profit: $95,487,582
- Operating Expenses: $93,192,469
- Operating Income: $2,295,113
- COGS: $330,903,229
- Fee Outside Services: $100
- Operating Expenses: $100
- Net Income: $94,312,642

### Financial Forecast
- Operating Revenue: $426,390,811
- Net Revenue: $426,390,811
- Cost of Sales: $330,903,229
- Gross Profit: $95,487,582
- Operating Expenses: $93,192,469
- Operating Income: $2,295,113
- COGS: $330,903,229
- Fee Outside Services: $100
- Operating Expenses: $100
- Net Income: $94,312,642

### Consensus Plan
- Operating Revenue: $426,390,811
- Net Revenue: $426,390,811
- Cost of Sales: $330,903,229
- Gross Profit: $95,487,582
- Operating Expenses: $93,192,469
- Operating Income: $2,295,113
- COGS: $330,903,229
- Fee Outside Services: $100
- Operating Expenses: $100
- Net Income: $94,312,642

### Link Financial Planning with S&OP

EPM-Demantra AIA Integration
Conversion from Financial Plan ($) to Operational Plan (Qty)

1. Demantra - Aggregate [Unit forecast x Sell Price] from bottom up
2. Where both hierarchies meet at Product Group-by-Sales Office, transfer Financial Plan from Hyperion to Demantra
3. Dis-aggregate the financial numbers down the hierarchy, based on proportions of results in 1
4. Convert $ value to Qty
Sara Lee Aligns Sales, Marketing and Finance

Executive Review
Oracle

Consensus Demand Planning
Oracle

Demand – Supply Alignment
Oracle

Financial Alignment
Oracle

- Linked models across Sales, Marketing, Manufacturing Operations and Finance
- Fact-based operational decisions aligned with financial plans

- Consensus Demand plan
- Operational metrics & variances
- Financial metrics & variances
- Demand & Supply plans
- Market Intelligence
- Promotions & Lift
- Sales & Mktg.
- Trade Promotions Mgmt.
- Siebel
- Stats forecasts & Product mix
- Demand Planning
- Manu
- Supply & Capacity Planning
- SAP APO
- Supply & Capacity Planning
- Manu
- Financial Planning
- Hyperion
- Other assumptions & targets
- Revenue & Profit targets
- Std. costs, ASP
- Linked models across Sales, Marketing, Manufacturing Operations and Finance
- Fact-based operational decisions aligned with financial plans

SAP ERP
Integrated Solution Flow
Purpose

- Showcase Oracle’s best of breed products- Hyperion and Demantra
- Illustrate an integrated flow to align the company around a single plan aimed at profitably meeting revenue targets
  1. The revenue and profitability targets are established in the top-down long-range planning process in Hyperion
  2. The targets are cascaded down and annual financial plans are created to achieve targets in Hyperion. The annual plan is fed to Demantra.
  3. The baseline forecast is generated statistically using Demantra’s bottom-up demand management capability and compared to annual plan to identify the gaps between the revenue predicted by the bottom-up forecast and top-down financial plan. Demantra’s promotion planning capability is used to close these revenue gaps and translate the business plan collaboratively into a demand plan to provide supply chain planning a forecast to develop a supply plan
  4. Demantra’s Sales and Operations Planning is used to balance supply and demand. Resulting “likely” revenue, units, and COGS are fed back to Hyperion
  5. Revenue targets on an ongoing basis to be monitored in Hyperion
Hyperion – Demantra Integration

One-screen navigation
Hyperion – Demantra Integration

CFO Dashboard – Q1 2008 review: sales less than expected
Hyperion – Demantra Integration

Re-plan remaining three quarters to meet annual financial objectives
Hyperion – Demantra Integration

Allocate annual target to remaining three quarters- Q2, Q3, Q4
**Hyperion – Demantra Integration**

Publish to Demantra S&OP for reality check and demand shaping

<table>
<thead>
<tr>
<th>Plan/Forecast</th>
<th>Working</th>
<th>Worked</th>
<th>What If</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>Operating Revenue</td>
<td>819,655,817</td>
<td>419,975,817</td>
<td>420,946,010</td>
<td>8,710,993</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>Operating Revenue</td>
<td>330,164,819</td>
<td>330,933,219</td>
<td>337,704,422</td>
<td>(6,771,263)</td>
</tr>
<tr>
<td>Net Income</td>
<td>Operating Expenses</td>
<td>94,282,642</td>
<td>88,702,297</td>
<td>90,642,087</td>
<td>1,939,790</td>
</tr>
</tbody>
</table>

**Table:**

<table>
<thead>
<tr>
<th>Plan/Forecast</th>
<th>Working</th>
<th>Worked</th>
<th>What If</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>Operating Revenue</td>
<td>819,655,817</td>
<td>419,975,817</td>
<td>420,946,010</td>
<td>8,710,993</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>Operating Revenue</td>
<td>330,164,819</td>
<td>330,933,219</td>
<td>337,704,422</td>
<td>(6,771,263)</td>
</tr>
<tr>
<td>Net Income</td>
<td>Operating Expenses</td>
<td>94,282,642</td>
<td>88,702,297</td>
<td>90,642,087</td>
<td>1,939,790</td>
</tr>
</tbody>
</table>
Hyperion – Demantra Integration
Role and access based collaboration workbench
Hyperion – Demantra Integration

Arrive at consensus forecast for remaining three quarters
Hyperion – Demantra Integration

Adjust or create promotions to optimally increase demand
Hyperion – Demantra Integration

Publish to evaluate impact on supply chain - costs and constraints
Hyperion – Demantra Integration
Demand-supply balancing – identify constraints and optimum solution
Hyperion – Demantra Integration

Rough-cut capacity planning – where and how much to add
Hyperion – Demantra Integration

Publish realistic and consensus revenue, COGS, and expenses
Sales & Operations Planning Integration to Financial Planning

Key Features
- Bring financial plan from Hyperion Planning into sales and operations planning process
- Synchronize top-down, dollarized financial plan to unit-based, bottom-up operations plan
- Feed realistic and consensus operations plan to financial planning process for better budgeting
- Closed-loop performance management to enable timely action to meet financial goals

Business Benefits
- Improve confidence in revenue forecast
- Close the gap between budget and reality
- Respond faster to market changes
- Improve planning efficiency
- Shape demand and supply to achieve business targets
- Deliver superior returns compared to competitors

IT Benefits
- Pre-built and extensible
  - 20% less implementation time
- Supported by Oracle