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Advantages of Using Integrated Business Planning in HEIs

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Abstract: The objective of this paper is to explore the use of the integrated business planning (IBP) process, and its applicability to managing higher education institutions. Many higher education institutions require a new approach to planning activities, and thus the appropriateness of IBP is examined. The paper utilizes the case study methodology. The benefits of integrated business planning are illustrated through the example of a Croatian manufacturing company. The results indicate that the benefits include improved planning, better portfolio management, a better understanding of the market, higher profitability, and so on.

Keywords: Integrated Business Planning, Sales and Operations Planning, Strategy, Higher Education Institutions

1. Introduction

This paper attempts to examine the importance of using long-term planning processes in Higher Education Institutions (HEIs) to meet various stakeholder expectations. Today, both companies and HEIs need to adapt to various demand situations, changes, the global impact of competition, financial crises, and more. To understand what these situations mean for a company and how the company will adapt, a long-term planning process is crucial. In practice, the Integrated Business Planning (IBP) process helps companies translate their strategy into long-term goals, balance between demand and supply, while considering potential vulnerabilities and opportunities (Ali, 2021). Additionally, IBP helps companies understand possible gaps, perform gap-closing scenarios, and determine when capital investment should be triggered. These actions should help companies achieve their long-term goals and strategies. Traditionally, HEIs did not utilize IBP since their environment was thought to be more inert. With the accelerated rate of change in recent years, IBP may now be a necessity for HEIs.

This paper aims to understand if HEIs need a process like Integrated Business Planning for long-term planning. The effects of IBP will be studied in a real company, examining its effects on profitability, cost optimization, strategy implementation, and more.

2. Literature Review

Higher education institutions have been operating in a relatively stable environment for centuries, allowing for more traditional governance models to be used. However, with changes in the educational landscape, increasing competition, and a focus on internationalization and student mobility, new approaches to governance are needed. Responsive higher education governance models call for a proactive approach and structured decision-making processes.

Aligning daily operations with company strategy is a challenging task for most companies. A widely used tool for this purpose is Sales and Operations Planning (S&OP), which balances demand and supply by creating a unique set of numbers for all operational plans (Thome et al., 2012; Jacobs et al., 2014; Tuomikangas et al., 2014; Pereira et al., 2020). Proper S&OP processes provide more accurate information and forecasts, shorter reaction times, better decision-making, and more (Vollmann et al., 2005; Deloitte, 2018). However, optimization is often left out of the Sales and Operations

Planning process as it is primarily focused on balancing demand and supply (Olhager et al., 2001). Therefore, large organizations require advanced Sales and Operations Planning processes that include a product portfolio review, scenario planning, vulnerability and opportunity analysis, and an overall business review (Thome et al., 2012). An example of advanced S&OP is Integrated Business Planning, which typically yields higher operating margins, greater efficiency, and revenue growth (Nakano, 2009; Deloitte, 2018).

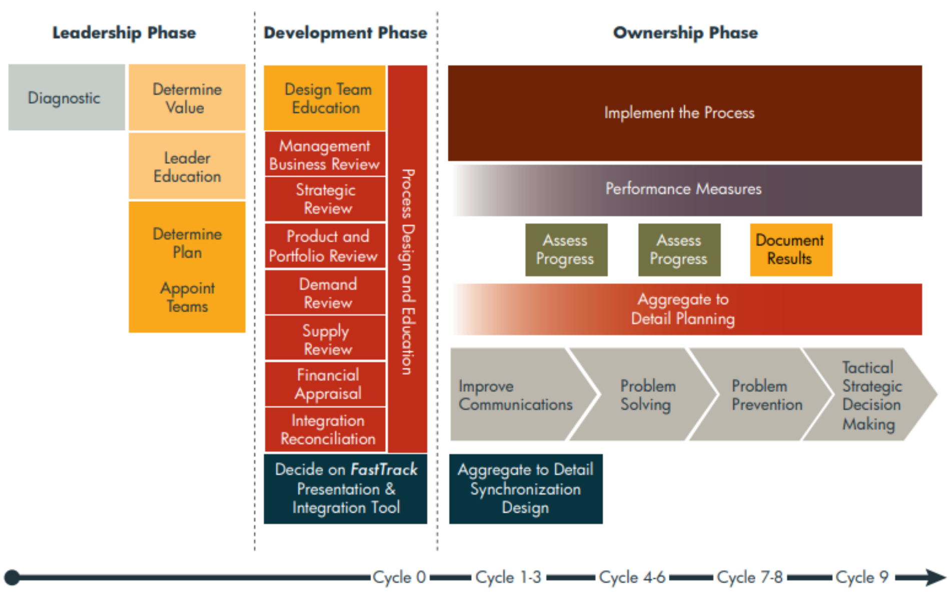
2.1 Integrated Business Planning

While the Sales and Operations planning process focuses on short-term demand and supply balancing, the Integrated Business Planning process (IBP) takes an overall integrated view of the company's future horizon and aligns it with the company's vision, mission, and strategy (Smith, 2010; Palmatier et al., 2013). According to Palmatier et al. (2013), the Integrated Business Planning process establishes a consensus on one set of operating numbers that the executive team is accountable for executing. It includes an updated sales plan, production and inventory plan, customer lead time, backlog plan, new product development plan, strategic initiative plan, and financial plan (Palmatier et al., 2013). Integrated Business Planning aims to be roughly right, rather than precisely wrong in the business planning horizon.

A properly implemented Integrated Business Planning process involves reviewing business performance, starting with a strategy review, product portfolio changes, customer demand, supply, and the resulting financial effects (Kepczynski et al., 2018a). The leadership and management re-plan the entire cycle on a monthly basis through a rolling 24+ month horizon.

The Integrated Business Planning process requires a commitment to the process, and active, disciplined, routine participation from all executive staff and middle management layers, including demand, supply, product portfolio, strategic initiatives, finance, and integrated reconciliation. All of these steps are performed before the final step, the Management Business Review (MBR), which is the final review of the entire business operations. Figure 1 below represents a proven path to IBP implementation.

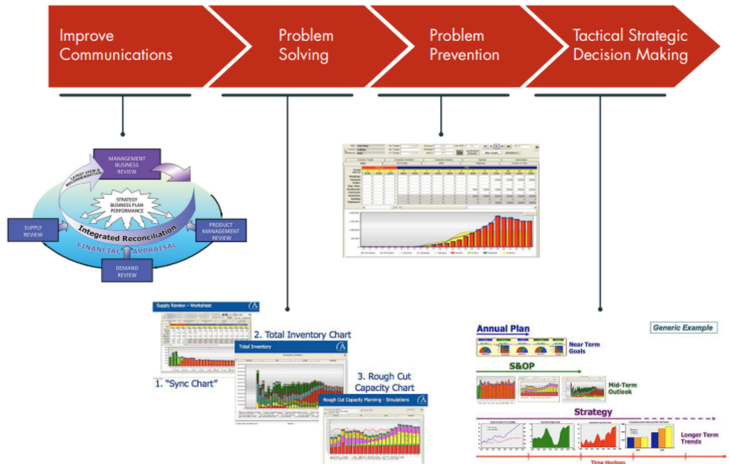
Figure 1: Proven Path to IBP/S&OP



Source: Palmatier et al., 2013

The picture shows that the first and most crucial phase is the leadership phase, where diagnostics, value determination, and leadership education are the initial steps. Once this is completed, buy-in from top leadership is necessary, and the process owner needs to be fully aligned with the Integrated Business Planning process. Next, the plan is determined, and teams are appointed. At this stage, the leadership phase is complete, and the development phase can begin. In the development phase, team education is designed for the entire Integrated Business Planning process, including demand review, supply review, product and portfolio review, strategic review, financial appraisal, integrated reconciliation, and management business review. In this phase, the presentation and integration tools are also selected. In the final phase, the ownership phase, the Integrated Business Planning process is implemented, and performance is measured while progress is assessed on specific elements of the IBP process. At this stage, improving communication between process owners and working on problem-solving, prevention, and tactical and strategic decision-making processes is critical (Kepczynski et.al., 2018b). The four stages of Integrated Business Planning implementation are shown in Figure 2 below.

Figure 2: Four stages of IBP implementation



Source: Palmatier et al., 2013

The main differences between IBP and S&OP are presented below in the figure 3.

Figure 3: S&OP vs. IBP

S&OP	IBP
Supply-and-demand focused	Involves the entire business in the planning process
Meetings-heavy and output focused	Monthly planning focuses on optimizing results and leverages scenario planning as a tool. The result is a more agile organization
Short-term plans to drive supply and output	Long-term view to inform decision-making
Traditional, static budgeting practices	Comprehensive and "living" financial plan with a range of associated KPIs

Source: Ali, 2021

3. Methodology

This paper uses the case study as it allows for the use of theory and conceptual categories to guide the researcher and his analysis of data (Meyer, 2001).

3.1 Integrated Business Planning process within LPT d.o.o.

LPT, a Limited Liability Company (LLC), is located in Prelog, Croatia, Međimurje County. It was founded in 2000 by Leggett and Platt, Inc., a diversified manufacturer based in Missouri, USA. Leggett and Platt was established in 1883 by two brothers-in-law, J.P. Leggett and C.B. Platt, who had the idea of manufacturing spring unit cores for mattresses. Today, Leggett and Platt designs and produces a wide range of engineered components and products that can be found in most homes and automobiles.

The Croatian subsidiary, which began in 2000 as a small manufacturer of innerspring units for mattresses, has grown into a 90-million-dollar business as of 2021. In addition to producing innerspring mattress units, LPT d.o.o. also draws its own wire for innerspring units' production and has its own R&D department and machine-building branch.
The company began implementing IBP in 2012 as it realized that its planning process and business operations were not fully structured and integrated.

4. Results

This paper is based on a case methodology, so the main objective is to investigate the benefits of IBP at LPT, LLC, and try to propose a similar approach in HEIs.

4.1 Benefits of Integrated Business Planning

The outcome of the Integrated Business Planning process at LPT LLC is a clear overview of the 24-month business horizon across multiple locations. All reviews, including Product Portfolio Review, Demand Review, Supply Review, Integrated Reconciliation Review, and Management Business Review, are followed by meeting minutes. In preparation for the meetings, an information package (Infopack) with a standard Integrated Business Planning agenda is distributed before each meeting. After the discussion and conclusion of the meeting, decisions are made, and meeting minutes are distributed to the process team members.

The typical meeting minutes contain further notes on the discussion, including details on:

A. Decisions being made

B. Items for Elevation to Integrated reconciliation review

C. Items for Other Process Steps

D. Tasks (Person, Due Date: Task)

Decisions that are made during the review are communicated to other processes to ensure a complete understanding of what needs to be done. Any unresolved issues are elevated to higher-level process steps. Approved items are distributed as necessary, and tasks are assigned to the responsible person, along with a due date. These tasks serve as input for the next monthly cycle of the process.

By completing the whole cycle of the Integrated Business Planning process, a company gains a comprehensive overview of the business from all perspectives, including new products, demand, supply, finance, and human resources. This process allows the company to run its operations on a 24-month horizon, identify gaps, create gap-closing scenarios, understand the necessary production capacity (human, machine, space), forecast demand trends by understanding customer behavior, and comprehend the market, timing, and impact of launching new products and development. The outcome of this process is a holistic and integrated view of the business.

4.2 Leading the LPT through Integrated Business Planning

While the business has been growing exponentially since 2012, it became evident that an overall business view was necessary across all company processes. In a complex market, delivering current and new products with a disconnected view of the business required an integrated overview. Beginning with Sales and Operations Planning, which focuses on demand and supply balancing, LPT transitioned to a fully integrated business planning process and currently runs the business with the help of this process. Using one set of numbers across the organization and processes has aided Integrated Business Planning in maintaining a holistic view, while all plans remain aligned across the organization.

The Product Portfolio Review aids in understanding which products the markets need, developing and delivering those products. The Demand Review involves understanding demand movements and using assumptions to comprehend what customers need at a specific time. The Supply Review analyzes what resources are required from the supply side, including materials, human resources, machinery, and space. All of the plans are then integrated through financial overviews, and gap-closing scenarios and recommendations are elevated to the Management Business Review, which serves as the culmination of the Integrated Business Planning process. This process helps to run the business smoothly and transparently on a long-term horizon while also providing insight into whether the company's vision, mission, strategic, and financial goals are being met.

The effectiveness of running the process itself has helped the organization mature, while accountability from Integrated Business Planning team members has aided in the company's growth.

4.3 Evolving Environment of Higher Education

Higher education institutions still utilize the Balanced Scorecard not only to measure but also to manage their business (Kaplan and Norton, 2005; Kaplan and Norton, 2007). However, this approach has limits even in stable environments, mainly in regards to metrics and benchmarking (Chinta et al., 2016).

Furthermore, higher education institutions are becoming increasingly competitive in attracting students and other sources of revenue. They strive for internationalization, apply to different sources of funding, and are more responsive to business community needs, digitalization, and online programs. These priorities require HEIs to be more responsive and not just plan on a yearly basis. Even the most responsive HEI governance models, such as the entrepreneurial (market) model, call for a strong executive body (Barac, 2015).

5. Conclusion

The benefits of Integrated Business Planning have been proven many times in the industry, as evident from the LPT example presented in this study. This paper hypothesizes that applying the IBP process to HEIs would be beneficial as the main managing approach. Exploratory research would be the next logical step, and the authors hope to continue within their institutions.

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