



mPower FOR **INTEGRATED BUSINESS PLANNING**

o9 SOLUTIONS WHITE PAPER

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EXECUTIVE SUMMARY

Markets that 21st century corporations compete in are increasingly dynamic, complex battlefields. Financial success hinges on developing new levels of planning and execution capabilities.

With this basic principle in mind, and building on lessons learnt from helping hundreds of global corporations deal with complexity and variability, we have formulated a unique set of process & technology innovations. We call this set of innovations the “**mPower**”. Allow us to elaborate on the concept of mPower with the story of Mr. Lay (of Frito Lay fame).

When Mr. Lay started his potato chips business, he was a one-person management team. He convinced a friend who owned a few retail stores to give him some shelf space for his product. His wife would make and package the chips at home and Mr. Lay would replenish the stock at the stores. And during these store visits, he would spend time observing and talking to consumers. Armed with insights, he would strike deals with the storeowner to change how his stock is presented, and also provide feedback to his wife on changes to be made to the recipes and packaging. He would buy potato chips in bulk based on estimates of how much he would sell and figure out how many packets to produce every day. He would change prices or strike other deals with the storeowner to ensure that his chips were moving as fast as he was producing them.

In a nutshell, Mr. Lay was using the end to end visibility he had as a one person management team to make rapid operational decisions across all aspects of his business, with each decision aimed at maximizing profits and cash-flow for his little enterprise. And as his enterprise grew and decision-making became distributed across the various functions of the organization, he attempted to create processes that maintain the lessons of this system.

This ideal state is of course easier said than achieved in a modern day global corporation- dealing with the complexity of managing large product and service portfolios, marketing and selling in regions around the globe through a variety of sales and distribution channels, and operating global supply chains to fulfill demand.

What are some of the routine questions that confront the management team of such a modern day organization?

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Say, as the P&L owner of a business unit, you are presented with the challenge of driving 5% year over year revenue growth in a market segment that is growing only at 1%. Is the required marginal increase in share best achieved by investing in creating more tailored products and services? Or is it best achieved by increasing investments in marketing to increase brand and product awareness? Or spending more on sales to cover more distribution channels? How good is your planning process in evaluating these different scenarios and creating fact based funding proposals as part of the planning and budgeting process?

And as the CFO or CEO, you are continuously presented with hundreds of such proposals from different lines of business, each with different ROI, each with different degrees of risk, all competing for scarce resources. Does your planning process make it easy to determine which proposals to fund and to what degree, to maximize financial performance for the enterprise?

Furthermore, as your organization allocates resources and puts operational plans in motion, what if revenue actuals are not tracking to plan, and you have to make a spending cut to keep expenses in line? How effective is your planning process in helping decide which programs and resources to cut or trim to minimize impact to the financial plan?

Or more tactically, let us say a new product or a big customer contract is delayed? How effective is your planning process in synchronizing dependent marketing, sales, supply programs and resources to maximize financial outcomes?

We find executives, line of business P&L owners, and functional operations managers trying to answer such questions routinely in their weekly, monthly management meetings, but armed only with disconnected spreadsheets and associated power point presentations put together by their planning and analysis functions - each spreadsheet with its own model of the business, each with its own version of the facts, each lacking capabilities to simulate the impact of operational decisions on revenue, profit and cash-flow tradeoffs, each lacking capabilities to understand the impact of those decisions on cross functional resource constraints, and all of them constantly being out of synch with each other, as market conditions change.

The result is corporations routinely showing up with hundred troops to a battlefield where the competition has thousand troops waiting or vice versa. And as conditions change rapidly on the battlefield, the inability to re-synchronize plans is often resulting in the air force bombing its own ground troops.

A few of the typical symptoms of poor planning processes are large but unproductive product & service portfolios, low ROI on marketing and sales investments, high inventory and low utilization of critical human and capital resources.

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Management productivity is also low as a majority of time is spent on internal alignment and negotiation rather than customer value added activities. Such corporations are estimated to be leaving 3-5% in operating earnings potential on the table! Clearly, the effectiveness of planning processes in today's global corporations is far away from the ideal state of the simple, one-person management system, used by Mr. Lay.

mPower for integrated business planning that is presented in this paper is a blueprint for a global corporation to get closer to that ideal state. It helps create a set of integrated planning processes, technology and analytics capabilities that will enable executives, business unit and functional managers and planners across finance, product & service development, marketing, sales, supply chain operations to make and execute smarter, faster decisions as ONE team, with ONE integrated business plan.

END-TO-END VISIBILITY

At the fingertips of management

- Market Intelligence - m market size, share, customer demand drivers, competitor positions against demand drivers, updated continuously.
- Spend effectiveness & program status – Effectiveness of current spend, status of all programs currently in play, and their operational outcomes using a simple set of commonly understood KPIs.
- Supply Base Intelligence - Supplier prices, price plans, capacity issues, distressed suppliers.

PLAN CREATION PROCESS

Fact based alignment of market opportunities, strategies and resources

- Market Segment Business plans & Funding Proposals (bottom up plans)
 - › Market Segment Strategy & Objections
 - › Supporting Product & Objectives
 - › Supporting Marketing Plans
 - › Supporting Sales/Channel Plans
 - › Supporting Supply Chain/Fulfillment Operations Plans
- Financial Plans
 - › Corporate financial objectives
 - › All market Segment Business plans rolled up
 - › Financial Goals vs. bottom up segment plans reconciliation
 - › Resource allocation, based on an agreed set of ROI and strategic criteria
 - › Target setting and incentive alignment

EXECUTION & PLAN ADJUSTMENT PROCESS

Weekly/Monthly cycles to respond to variability in the business

- Visibility to market intelligence (changes in market assumptions)
- Visibility to status of all programs(execution state)
- Visibility to revenue forecast vs. actual and plan vs. forecast gaps
- Visibility to all options/levers available to close the gaps (playbook)
- Ability to do rapid tradeoff analysis for each option with financial objectives
- Ability to collaborate and consult with other sub-plan owners where necessary before decision to change plan (reduce variability across system)
- Notify all other sub-plan owners of changes, assign tasks(early warning, synchronize)
- Ability to re-allocate resources and move budgets

POST-GAME MEASUREMENT

Accountability & continuous improvement

- Instead of measurement and incentives being driven by performance relative to static annual plans which drive sand bagging and risk-averse behaviors, post-game measurement allows management to measure and incent teams based on analysis of how they performed relative to market opportunity, and how they responded.
- Ability to create continuous improvement programs based on post-game analysis.

Investing in creating such an integrated business planning and performance management process is one of the best bets a global corporation can make to drive growth. For example, consider the following question - If you have a million \$ to invest as a corporation, which is a better bet? Investing more \$ in fuel for a car that is already consuming hundreds of millions in fuel every year but is giving sub-par miles per gallon? Or investing in fine-tuning the core process that governs how the fuel is spent across product, marketing, sales, fulfillment activities so as to yield higher gas mileage?

Adopting the mPower for Integrated Business Planning can be a game changer for global corporations. The speed and quality of decision making and execution is a distinct competitive advantage that can translate into product and service portfolios that are more differentiated, greater ROI for every dollar spent on marketing and sales, lower inventories and greater services levels from your supply chain, all leading to greater share, net profit and ROIC. If you are a global corporation, but are still managing your business largely with disconnected spreadsheets, the business case for change is strong. Yet, making the change happen can be quite daunting. Following are a few lessons on how to overcome the change challenges and drive sustainable improvements.

Quick Wins –Improving the weekly/monthly management meetings

In order to build momentum for the kind of transformative change that is required, quick wins and proof points that the rest of the enterprise can look up to and emulate are critical. mPower takes an incremental approach to change – By fine-tuning existing management meetings and infusing incrementally better facts and plans that leverage existing data and systems in the critical success factor for driving the change is CXOs and P&L owners driving the meetings using the facts and analysis presented through the improved process.

Enhancing the analytics and planning skills of an organization

One of the biggest constraints we see in organizations to enabling a good integrated business planning process is lack of sufficient analyst resources to pull together information, analyze and present decision scenarios to planners and managers.

Consider the following. In fighting a battle, is a force better served with 99 troops and 1 analyst guiding the deployment of troops, or is the force better served by having 97 troops, served by 3 analysts who can evaluate battlefield conditions in real time and make recommendations on optimal troop deployment to the battle commanders?

As market conditions have become dynamic, operational decisions have to be made faster and re-synchronized more frequently. But as planners and analyst skills and capacity is a constraint, critical operational decisions are often made without adequate analysis of overall financial impact to the enterprise.

mPower calls for creating a Business Optimization team – a network of tightly connected analysts providing market intelligence, finance, product R&D, pricing, marketing, sales and supply chain

decision support analysis. This network of business analysts report into the functional departments as well as the CFO/financial controllers, ensuring that functional decision-making is synchronized to corporate goals.

Integrated Business Planning solution

Managing the complexity and speed of modern global corporations efficiently with disconnected spreadsheets is going to be increasingly challenging. To make any process change sustainable, corporations need to look for an integrated business planning system that can connect market intelligence and operational plans to financial forecasts, and helps executives, line of business owners and functional managers to collaborate, plan and execute in one integrated planning framework. The following are nine features required of software that supports the mPower method of integrated business planning.

MARKET INTELLIGENCE

- Market segment modeling Categories, regions, end consumer and channel customer segments
- Market size and share intelligence – Syndicated market intelligence reports integrated into the operational planning process
- Share and price (revenue) driver analysis – Customer surveys, data analytics to determine key drivers of share and price in each segment
- Competitor and channel intelligence – Combining publicly available and internal intelligence to understand changing competitive positions with respect to each revenue driver

LINKED PLANS

- Linked Strategic plan, Annual Operating Plans, market segment plans, product portfolio plans, marketing plans, sales plans, supply chain plans.
- Visibility of assumptions across plans
- Different levels of detail for different plans
- Rolling planning horizons
- Propagation of changes in one plan to all other impacted plans

PROCESS CALENDAR

- Meeting cadence
- Meeting definitions, agendas, RACIs
- Process monitoring

RISK & OPPORTUNITY MONITOR

- Plan assumptions monitoring – Market intelligence and internal execution status updates
- Market events monitoring
- Process alerts
- Social collaboration – Bringing social into planning to get real time feedback

FORECASTING

- Visibility to revenue drivers – competitive intelligence
- Driver based forecasting
- Seasonality, product mix analytics
- Range based forecasting – for risk management

SCENARIO PLANNING

- Rough cut, rapid what-ifs
- Marginal ROI analysis
- Available decision set modeling
- Proposal creation and approvals

OPTIMAL CONTRAINED RESOURCE ALLOCATION

- Modeling of lead times, cash budgets, physical assets, HR skill constraints
- Aggregate level and detail level modeling of constraints depending on planning process.
- Short term vs. long term, Share vs. Profit vs. Cash flow tradeoffs
- Dependent constraint modeling

PERFORMANCE MANAGEMENT

- State of the business dashboards – financial and functional performance
- Post-Game Analysis – Performance to plan and performance to market opportunity, market driven behavior
- Benchmarking
- Process improvement

RAPID DEPLOYMENT

- Fast time to deployment and value
- Ease of use – Reduce resistance to move from spreadsheets
- Flexibility to change with business needs

MEET THE FOUNDERS



SANJIV SIDHU, Founder/Chairman

Sanjiv Sidhu's (Wikipedia) career has focused on helping large organizations consistently achieve superior results via improved planning and execution of plans. Based on the belief that businesses react too slowly to rapidly changing conditions, Sanjiv's concentration has been on helping organizations implement new processes to boost agility and adaptability. Several Global 1000 corporations have implemented his methodology and achieved billions of dollars of value. As founder and chairman of o9 Solutions, Sanjiv is working alongside some of the world's smartest minds, both within o9 and in o9's clients, to continue to develop methodologies to optimize business performance in rapidly changing business environments.

Prior to this, Sanjiv founded i2 Technologies and served as Chairman and CEO for over 15 years. i2 is often cited as the thought leader in supply chain management and credited with creating more value for clients via supply chain planning than any other solution provider. Before founding i2, Sanjiv was an engineer working in the artificial intelligence laboratory at Texas Instruments in Dallas. His work focused on studying how humans make optimization decisions, and combining best practices in decision making with mathematical techniques to create new software for business planning.



CHAKRI GOTTEMUKKALA, Founder/President

Over the last 15 years, Chakri has led business process transformations at leading corporations in a variety of industries including high tech consumer electronics, computers, telecommunications, consumer packaged goods and semiconductors. As founder and president of o9, he is focused on building a world-class organization to design, develop and deliver the next generation of planning and performance management solutions for making corporations more agile.

Prior to co-founding o9, Chakri also had a 10-year career at i2 Technologies, where he played a variety of roles spanning product strategy, sales & marketing, industry solutions and consulting. Chakri has a bachelor's degree in engineering from the Indian Institute of Technology (IIT), Madras and a Master's degree from the University of California, Los Angeles.



INTEGRATED PLANNING & EXECUTION SOLUTIONS FOR THE 21ST CENTURY BUSINESS

SALES • PRODUCT • SUPPLY CHAIN • FINANCE



Helping you build smarter businesses and a smarter planet is our passion.

- SANJIV SIDHU, FOUNDER/CHAIRMAN



OUR MISSION

Earn most valuable partner status with each and every one of our clients, by delivering the world's most innovative, simple, and fun to use management system for integrated planning & execution.

Corporations with superior planning and execution capabilities not only produce superior financial results, they are also great places to work for employees. We are on a mission to create more agile enterprises by making business planning processes smarter and simpler.

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