

INTEGRATED BUSINESS PLANNING STRATEGY

POINT OF VIEW



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Abstract

Global procurement and supply chain has been impacted by COVID-19 pandemic and have exposed critical gaps and vulnerabilities. This is the time to plan for new normal and reevaluate supply chain management. Disjointed planning processes are common practice for many organizations, causing a lack of visibility and efficiency across every department. Ensuring business planning in these times of disruption is need of the hour. Read the point of view by Vinayak Burhade, Principal Solution Architect to understand how global supply chain leaders can look into the balancing of demand and supply by improving overall supply chain planning.

Key takeaways



Impact of pandemic in automotive industry



Need of supply chain leaders to strategize balancing of demand and supply by improving overall planning



Integrated Business Planning and why it is crucial during times of disruption



Tech Mahindra's view on implementing IBP using Digital supply chain 4.0

Introduction

The world is trying to come out from the COVID-19 pandemic situation and in-order to recover losses and assess the changing dynamics, the leaders need to revisit and redefine supply chain. In an increasingly fast-moving, complex, and uncertain world, it has been difficult for organizations and decision makers to predict and navigate the future.

Throughout the year the automotive industry demonstrated resilience and ingenuity. COVID-19 infections spiked again in the latter part of the year and lockdowns were reinstated in many countries.

Global Outlook of Light vehicles:

If we look into the light vehicle sales, the results for December couldn't mask the economic inequalities in world markets as COVID-19 wrought its havoc. (source: "Sector impact Automotive Global" - Global Data)

China: December sales up 2.5%, 2020 down 7.9%. 8.4% increase forecast for 2021

Japan: December sales up 10.5%, 2020 down 11%. 8.2% increase forecast for 2021

France: December sales down 10.1%, 2020 down 23.8%. 28.6% increase forecast for 2021



Germany: December sales up 9.4%, 2020 down 18.6%. 19.9% increase forecast for 2021

US: December sales up 4.9%, 2020 down 14.9%. 12.4% increase forecast for 2021

India: December sales up 17.1%, 2020 down 18.1%. 15.9% increase forecast for 2021

In such a volatile experience of 2020 and outlook of 2021, there is an urgent need for global supply chain leaders to look into the balance of demand and supply by improving overall supply chain planning

Industry Landscape

Key challenges in current Supply Chain to have balance in Demand and Supply

Demand Volatility

Visibility of demand across regions/countries
Forecast accuracy due to insufficient customer insights

Supply Uncertainties

Factory shutdowns, raw material availability, disruption in transportation, inadequate collaboration between auto OEMs, tier1 and tier2 suppliers

Inventory Build

High variations in inventory impacts - inventory obsolescence, high inventory, Critical shortages

Sensing & Response Planning

Sudden surge or drops in demand for vehicles and spare parts

Synchronize demand and supply

Integrated planning unavailable to balance demand and supply.

What is Integrated Business Planning?

Integrated Business Planning (IBP) plays a crucial role in order to balance demand and supply. It helps companies to conduct scenario planning with rapid, practically real time simulation. Through this capability companies can analyze risks and opportunities to make educated supply demand decisions when unexpected happens.

Why we need IBP now more than ever...

Cost is key driver

Integrated Business Planning support to improve working capital through optimizing inventory, improvement in OTIF, reducing the overall supply chain operational cost. IBP helps to do the alignment with various functions like Planning, sales, marketing, product development, Finance and drive towards smooth working capital throughout organization.

For a proactive, real time business decisions

- Make or Buy decision – When to procure, where to procure
- Demand management - Region wise, plant wise Manufacturing decision, New Product build
- Volume and Mix Level Planning and Execution – What to Produce, how much to produce, Priority decisions
- Logistics and Transportation – Mode selections, vehicle load ability, transport allocations
- Inventory Planning and Optimization: Inventory analysis, storage, replenishments

To have an actionable planning...

- Define various capacities/build capacities – Manufacturing, Storage and Material handling, Transportation, manpower
- Improve rate of Manufacturing (TAKT Time)
- Integration of Product bills of materials with various Manufacturing and Supply chain systems
- Logistics and transportation planning – Internal material movements (within plants, subcontractors), Suppliers to Plants, Suppliers to warehouses/DCs, Plants to dealers/customers
- Resource planning – Manufacturing and Supply chain resource planning and mapping as per demand management.

Creates and Maximize Value

- Demand Planning and Management – Volume prioritization by managing manufacturing efficiency.
- Smooth working capital – Creates visibility from demand planning (Both Volume and Mix Level) to Supply planning, reduction of inventory holding cost, reduction in fixed and variable cost
- Improve Manufacturing and Supply chain strategies – Adherence to MTO, MTS, ATO with dynamic supply chain strategies.
- KPI fulfilment – Fulfilment of KPIs for all cross functional stakeholders like Marketing, Manufacturing, Finance and Supply chain.

Implementing IBP using Digital Supply Chain 4.0 – Tech Mahindra view

Digital Supply Chain 4.0 platform supports IBP to evaluate the overall impact, determine the demands based on the product, manufacturing capacities, the rate of production, inventory planning and optimization in all the nodes. It provides various capabilities which supports IBP due to redefined Supply chain during Pandemic, such as



Redefine Inventory planning and optimization



Redefine Master data (Inventory levels, Safety stocks, Lead time, transportation, warehousing, lot sizes, sourcing and procurement rules, inventory replenishment)

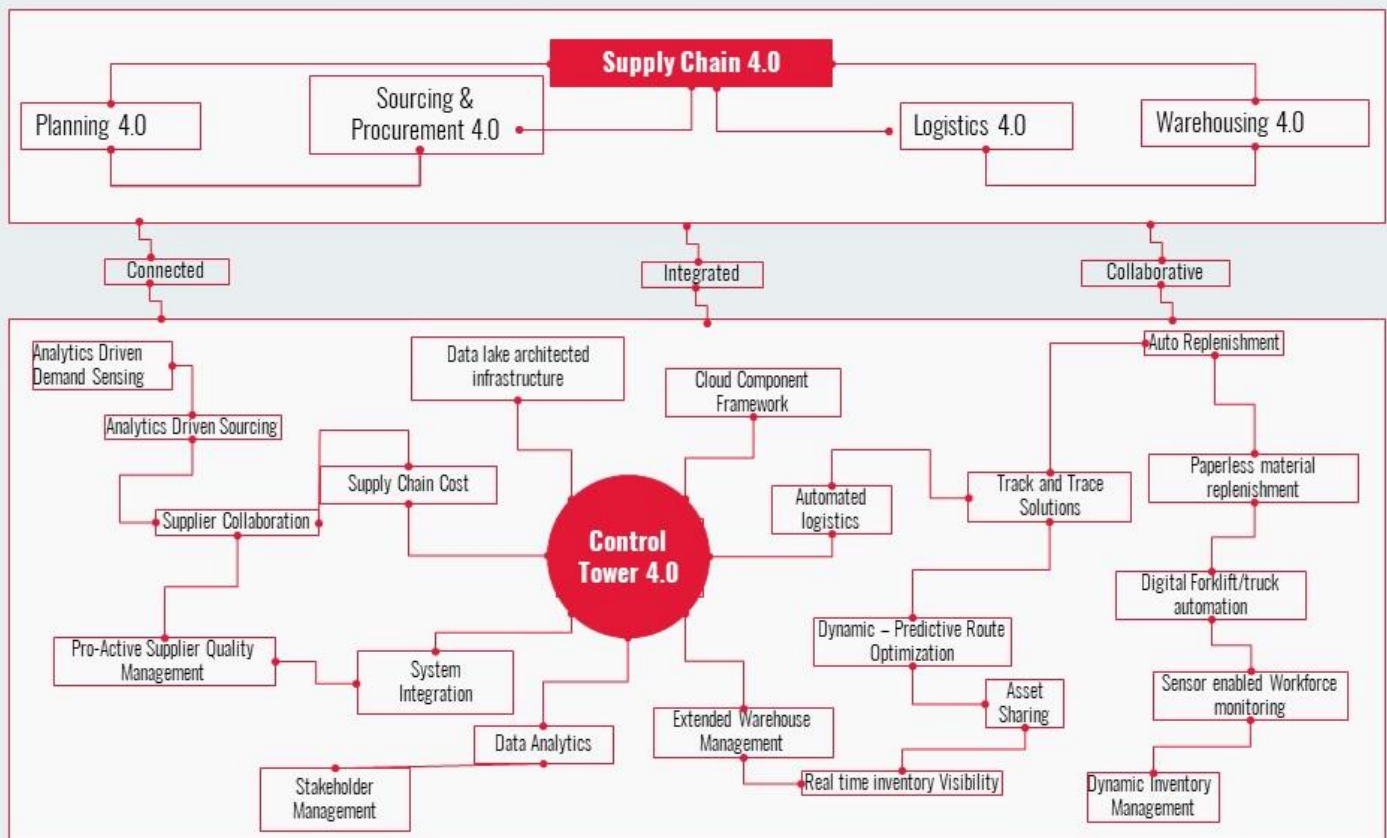


Redefine Planning and forecasting towards Sense the structured / un-structured data (external conditions like weather, storms, hurricanes, pandemic situations, Geopolitical events, road closures etc.) and act, respond and manage the Supplies.



Redefine Make or Buy strategies – In-house Manufacturing, outsourced manufacturing, bought-out parts, sub-assemblies, sourcing and procurement strategies.

Supply chain 4.0 platform provides Data model for planning and execution



Above data model includes:

Automation in planning cycles

Supply chain analytics – Demand analytics, Demand sensing, Inventory planning, Risk monitoring, traceability and mitigation.

Visibility through Supply Chain control tower

Benefits

Integrated Business Planning helps:

- Break down planning silos through connected and integrated planning across Demand-Supply-Finance
- Rapidly respond to disruptions and strengthen operations in preparation for potential future value chain risks
- Maximize the efficiency of inventory and working capital
- Scenario planning / What-if analysis of actual or hypothetical changes to demand and/or supply
- End-to-end visibility on strategic, tactical and operational level and across internal or external data

Key Differentiators:



Connected, integrated and collaborated planning & execution



State of art supply chain processes



Sensible and responsive



Faster planning cycles

About the Author

Vinayak is Global Supply chain Principal consultant and Solution Architect with 23 years' experience in designing and implementing supply chain strategies and digital solutions by leveraging domain expertise and digital technologies. Worked with leading manufacturing companies in various capacities as Supply chain lead, Product Development and Project Management. Currently working as Supply chain Principal Solution Architect – Manufacturing in Tech Mahindra.

Reference

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