How To Design Your Volume-Driven Integrated Financial Planning

Thomas Freil, Implement Consulting Group

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In This Session

- Use volume forecasts from Integrated Business Planning (IBP) as input to Financial Planning in Sap Analytics Cloud (SAC)

- Simulate the financial impact of alternative volume forecasts

- Integrate and link financial planning areas in SAC (gross sales to cash flow)
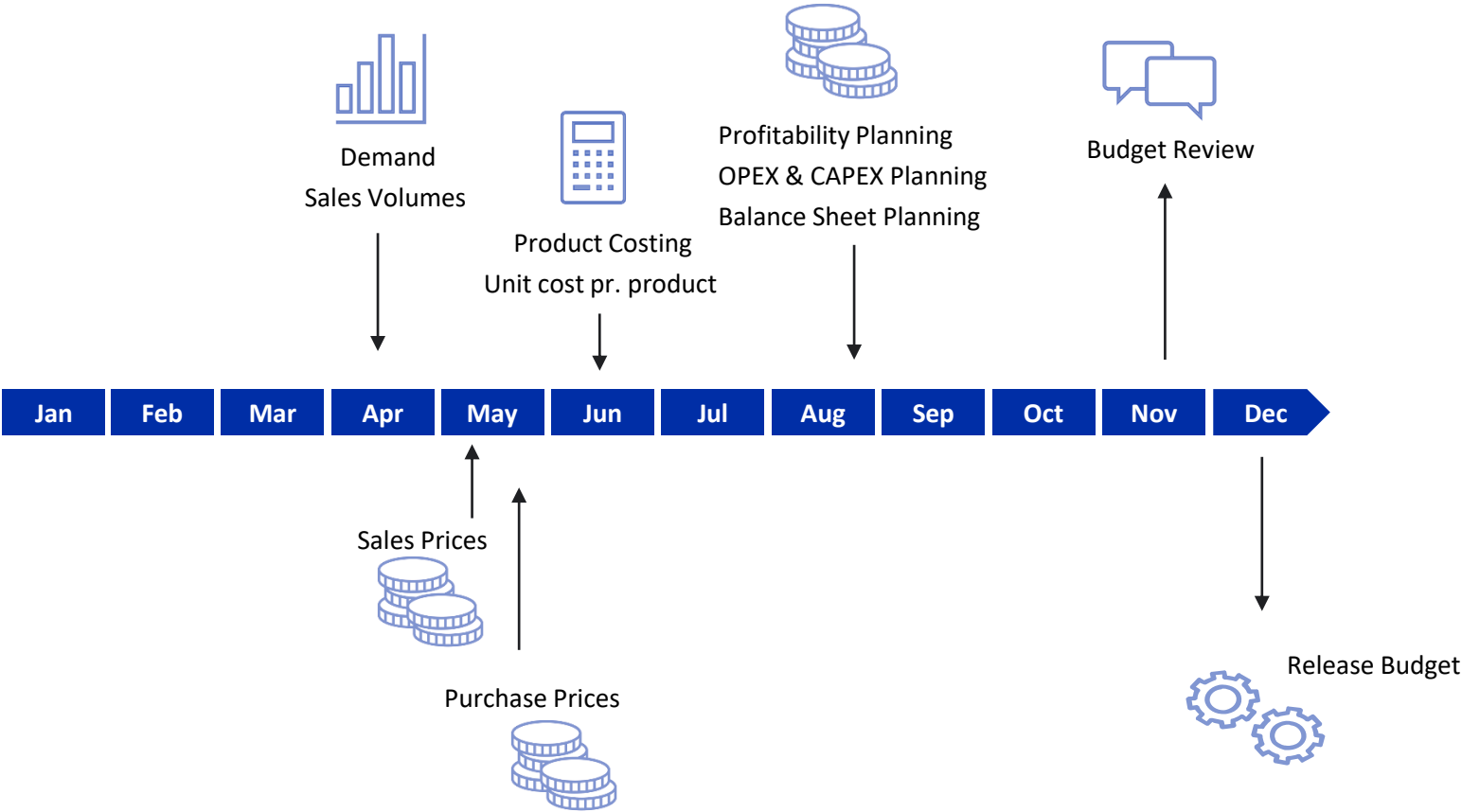
Agenda

- Financial Planning challenges today
- SAP Analytics Cloud and System Integration
- Volume-driven Integrated Financial Planning Process
- Demo
- Wrap Up

Financial Planning Challenges Today

- Market situation is continuously changing, and there is a need to measure financial impact of scenario planning

- Due to the duration of the budgeting process, the budget is no longer relevant at the day of release

- Financial forecasting is not linked to supply chain planning (volumes)

- Excel is the primary tool for planning, and therefore no governance of plan versions

- Manual Reporting. Changes to budget means that the whole process of updating the underlying budget data in excel and reports will have to start all over again.

Classical Budgeting Process – Yearly Wheel

Demand
Sales Volumes

Product Costing
Unit cost pr. product

Profitability Planning
OPEX & CAPEX Planning
Balance Sheet Planning

Budget Review

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Sales Prices

Purchase Prices

Release Budget

SAP Analytics Cloud and System Integration

- Pre-defined end-to-end planning process in SAC – Automated planning
- All input for the planning process is available in the planning model in SAC
  - Drivers (volumes, headcounts, exchange rates, etc)
  - Prices for planning (Cost prices, Sales prices, Deductions, etc.)
  - Master data (Products, Customers, Cost centers, GL accounts, etc.)
- Financial impact can easily by re-calculated based on change to input (e.g. IBP volumes)
- All users involved in the planning process is working in the same planning environment - "one source of truth"

Overview of Planning content in SAP Analytics Cloud

Financial statement planning

Cash flow planning	Balance sheet planning
	Profit and loss planning

Capital expense planning

CAPEX planning
Depreciation planning

Sales and profitability planning

Sales price planning	Revenue and deduction planning	Profitability planning
Sales quantity planning		

Product cost planning

Resource calculation	Raw material price planning	Product cost planning
	Quantity structure	

Operating expense planning

Activity price planning	Operating expense planning	Cost centre planning
	Allocations	

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System Integration – SAP IBP, SAP Analytics Cloud, SAP S/4HANA

IBP

- Demand/Supply

Volumes →

SAC

Financial Forecast

Simulations

Actuals

Master Data

Sales Prices, Purchase prices & Cost estimates

Sales Prices ◦

Cost Estimates ◦

Master Data ◦

S/4HANA

Master data and transaction data

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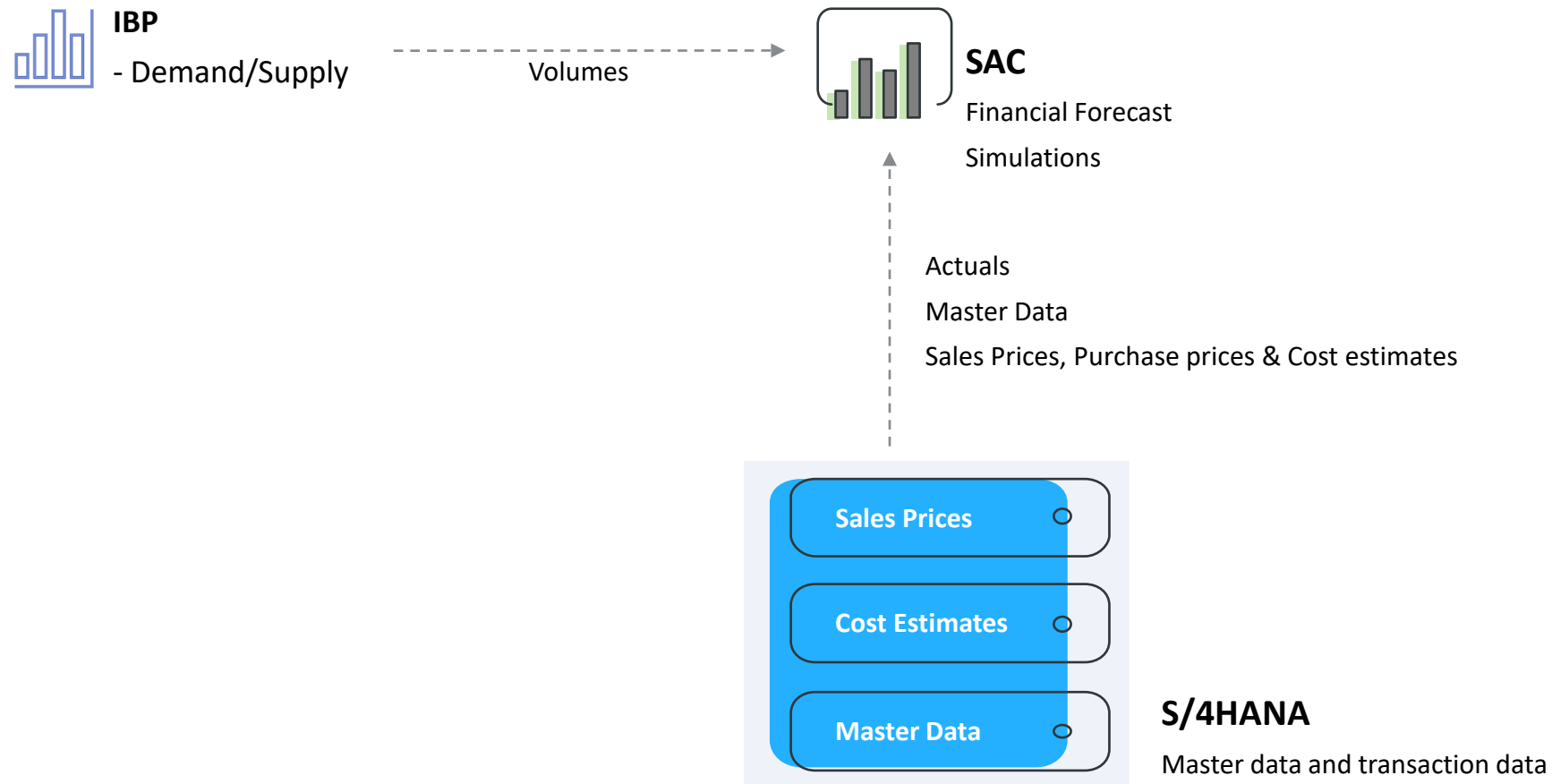
The Roles of SAC and IBP in an Integrated Planning Process
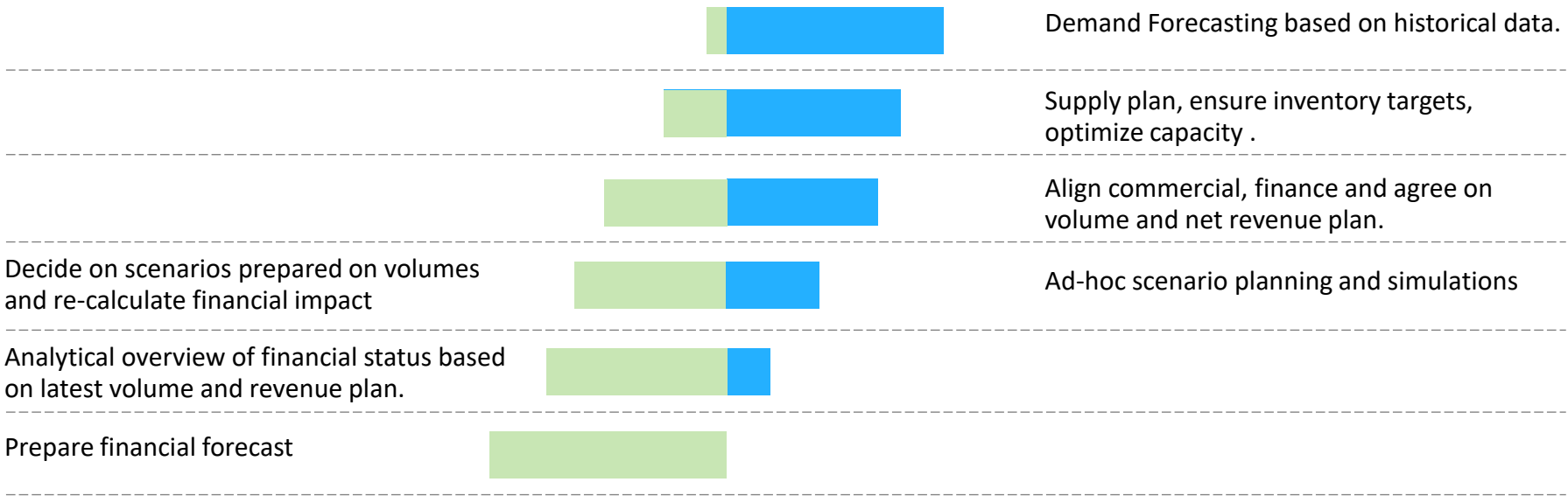
SAC

IBP

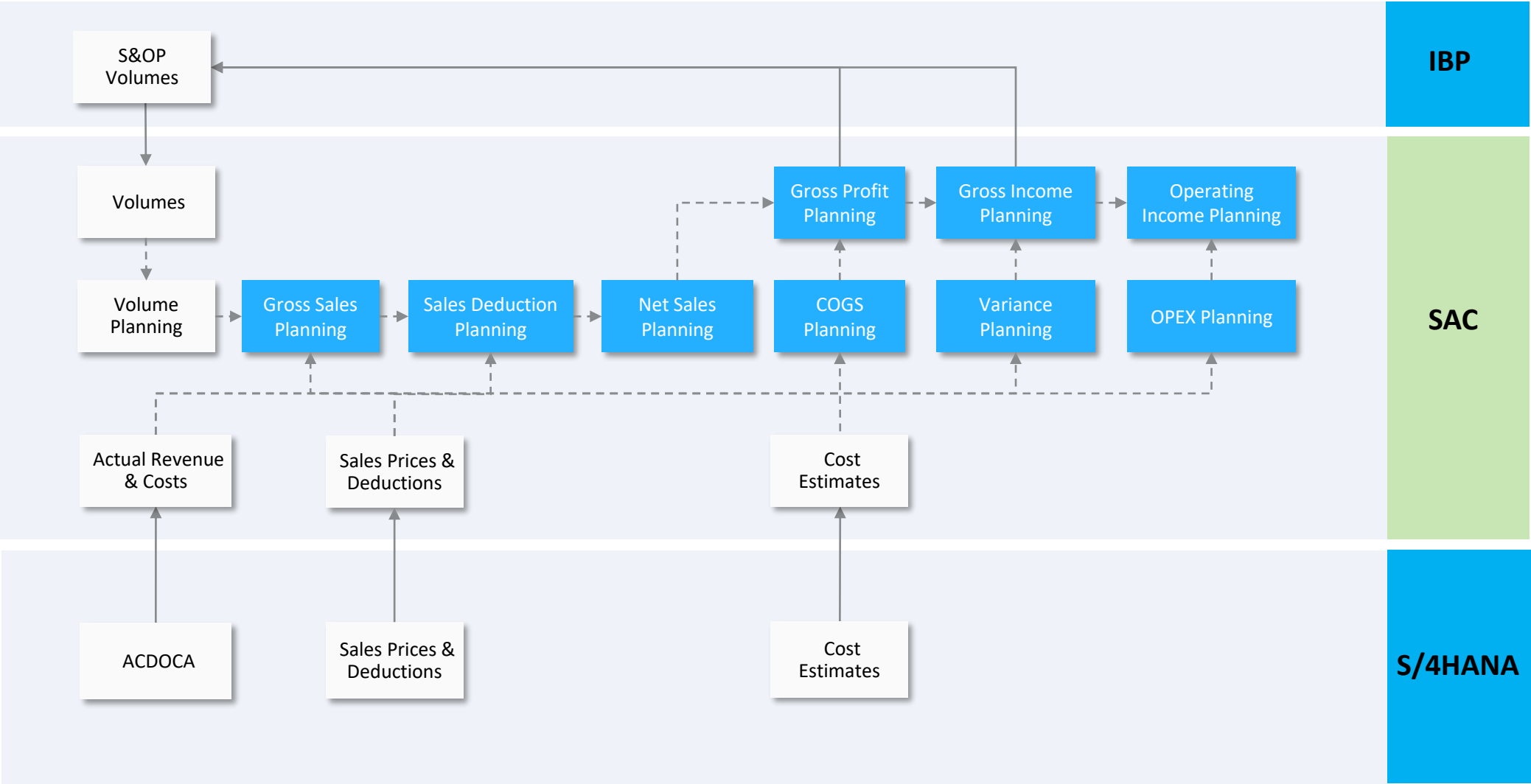***SAC is the "home playing field" for Finance.***

Financial planning is carried out in SAC including target setting, budgeting, financial forecasting, simulations etc.

IBP is the supply chain S&OP planning "home field"

Numbers from SAC are displayed in IBP so we review our S&OP plan with the strategic financial targets to steer the business.

Demand Forecasting based on historical data.

Supply plan, ensure inventory targets, optimize capacity .

Align commercial, finance and agree on volume and net revenue plan.

Decide on scenarios prepared on volumes and re-calculate financial impact

Ad-hoc scenario planning and simulations

Analytical overview of financial status based on latest volume and revenue plan.
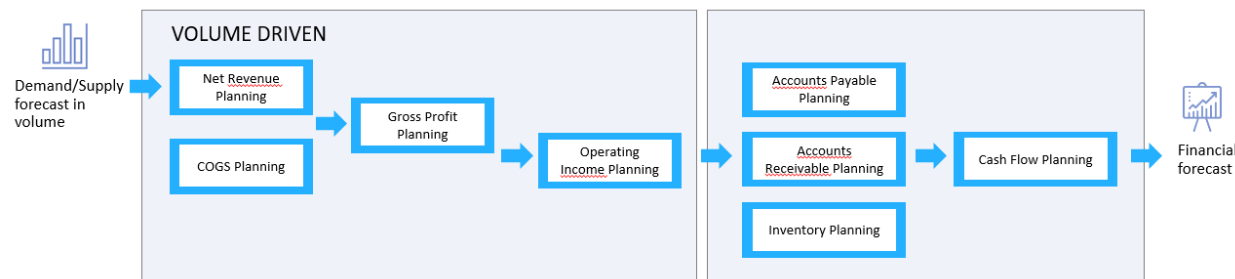
Prepare financial forecast
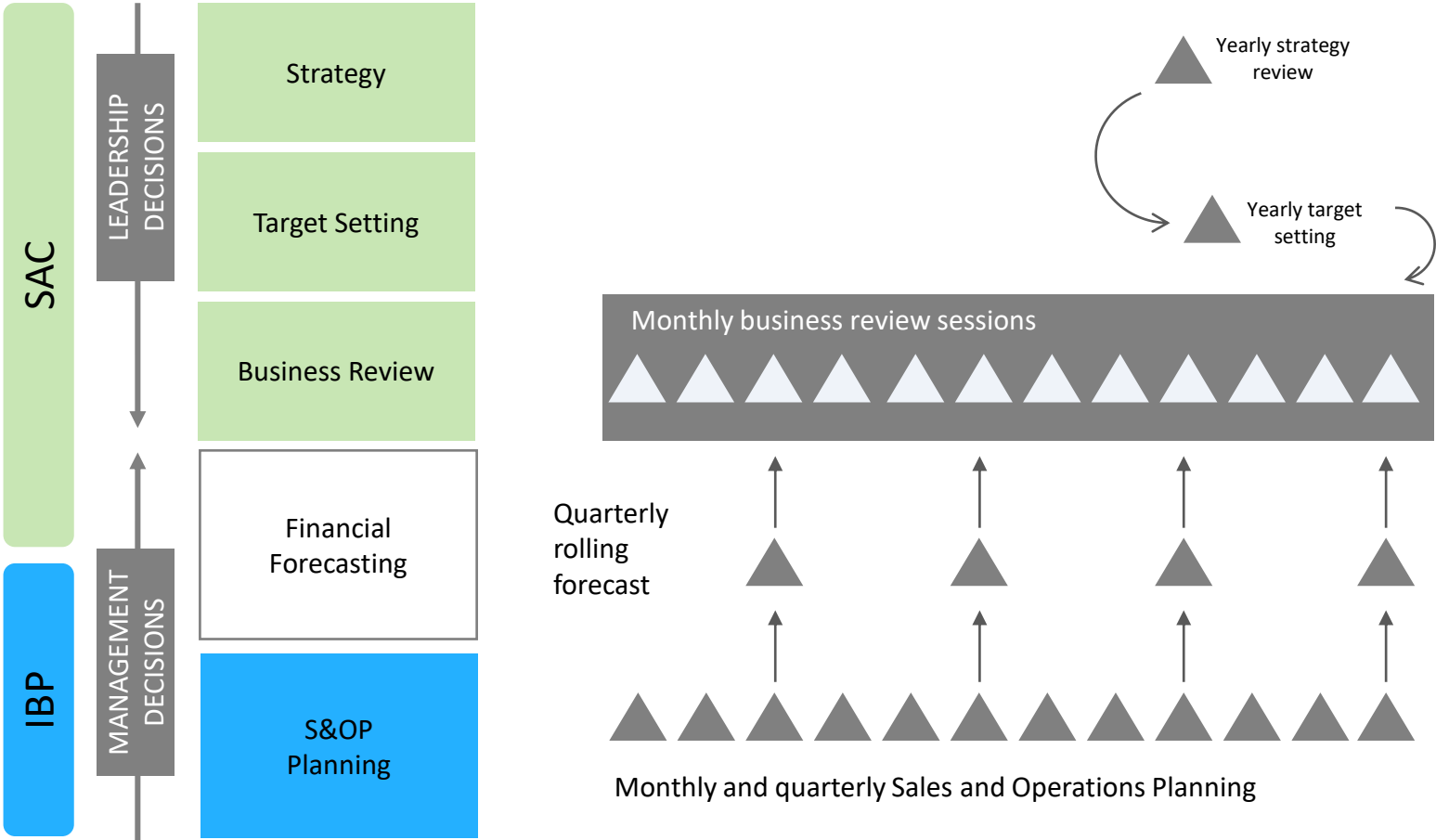
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System Integration and Dataflow
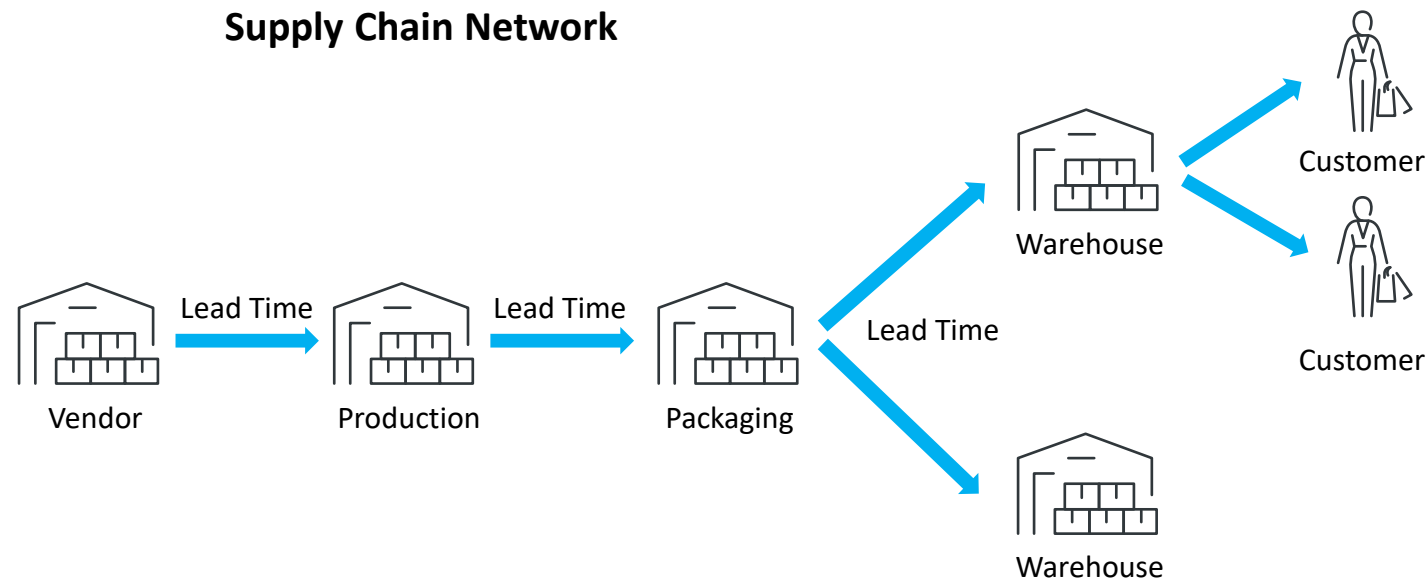
Volume-Driven Financial Planning Process

- The scope for the integrated Financial Planning Process in SAC is restricted to the volume driven financial planning

- The Volumes from IBP is the main driver for the Financial Planning

- In SAC the volume driven planning areas are linked in an automated End-to-End process

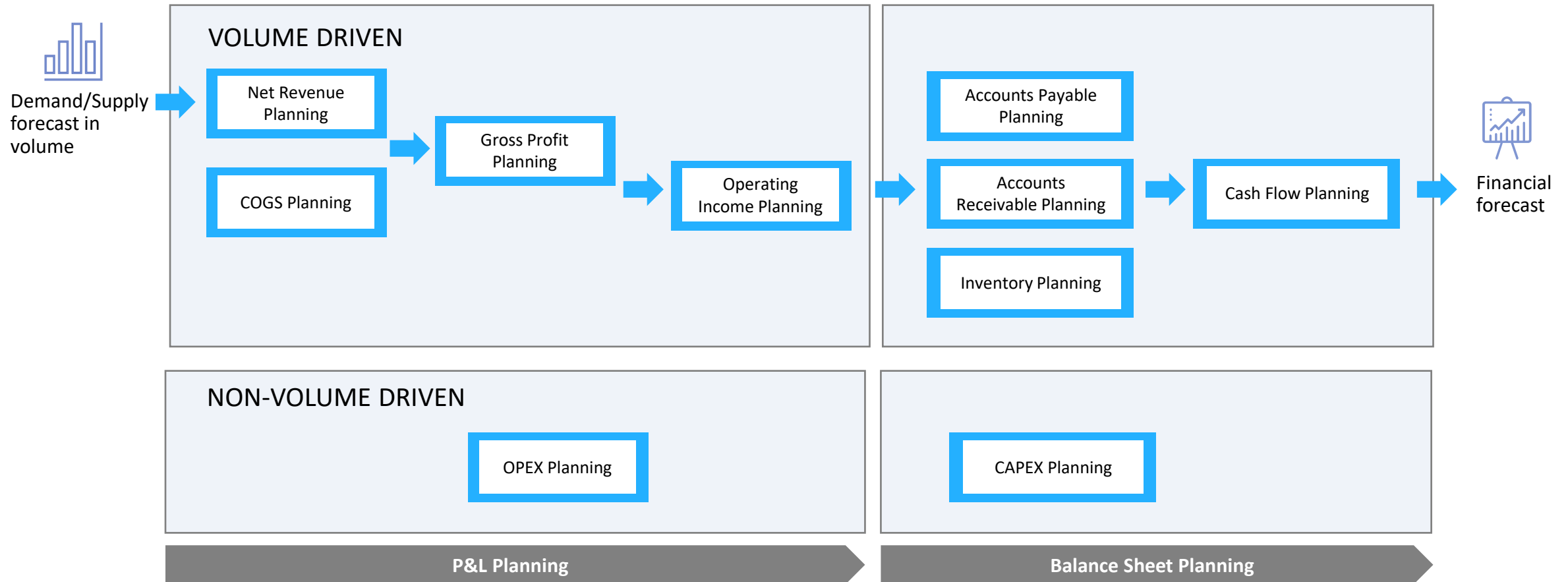# The Planning Processes in IBP and SAC are Carefully Interlinked

SAC

LEADERSHIP DECISIONS

Strategy

Target Setting

Business Review

IBP

MANAGEMENT DECISIONS

Financial Forecasting

S&OP Planning

Yearly strategy review

Yearly target setting

Monthly business review sessions

Quarterly rolling forecast

Monthly and quarterly Sales and Operations Planning

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Volumes are Calculated in IBP Using Supply Chain Networks

Supply Chain Network

Vendor → Lead Time → Production → Lead Time → Packaging → Lead Time → Warehouse → Customer / Customer
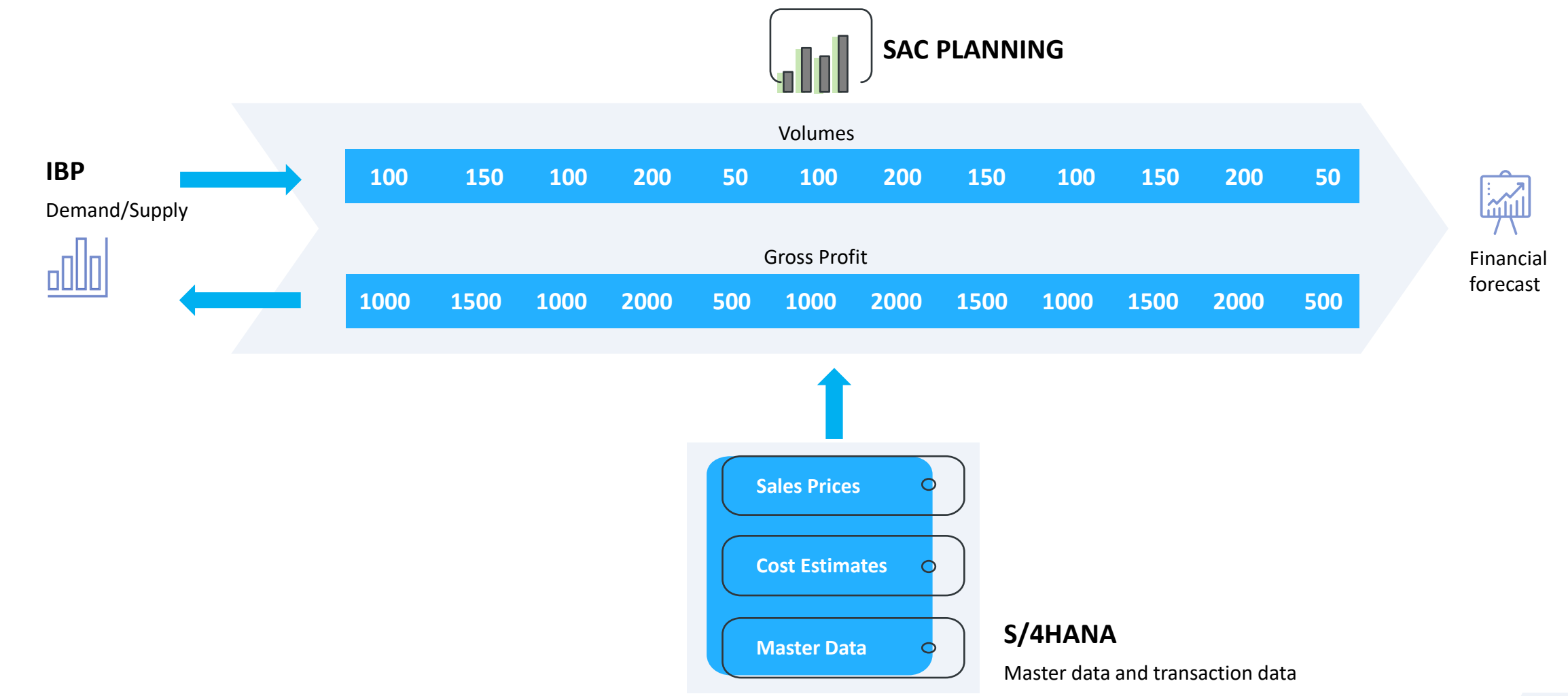
Warehouse

Output:
- Demand plan (S&OP)
- Production Capacity Plan
- Stock Shelf-life Plan

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Define the Planning Areas in SAC, That Are Volume-Driven

Demand/Supply forecast in volume

VOLUME DRIVEN

Net Revenue Planning

COGS Planning

Gross Profit Planning

Operating Income Planning

Accounts Payable Planning

Accounts Receivable Planning

Inventory Planning

Cash Flow Planning

Financial forecast

NON-VOLUME DRIVEN

OPEX Planning

CAPEX Planning

P&L Planning

Balance Sheet Planning

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Volumes from IBP is Used as Driver for Financial Planning

SAC PLANNING

IBP

Demand/Supply

Volumes

| 100 | 150 | 100 | 200 | 50 | 100 | 200 | 150 | 100 | 150 | 200 | 50 |

Gross Profit

| 1000 | 1500 | 1000 | 2000 | 500 | 1000 | 2000 | 1500 | 1000 | 1500 | 2000 | 500 |

Financial forecast

Sales Prices

Cost Estimates

Master Data

S/4HANA

Master data and transaction data

Financial Inventory Planning is Calculated Based on Stock Projection in IBP

The projected stock is a key figure in IBP. The system calculates the projected stock from demands, receipts, and stocks. The projected stock provides information about the stock balance of a location in a period.

IBP

Stock Projection based on volume forecast

	Production Plant	Country	Region	Dealer
Opening Stock balance	8	4	2	4
Closing Stock Balance	4	3	1	3
Stock in Transit	3	2	1	2

SAC

Planned Inventory values pr. Product

	Production Plant	Country	Region	Dealer
Product A	100000	300000	200000	500000
Product B	200000	250000	150000	350000
Product C	150000	100000	300000	200000

Inventory value = Cost Price x Stock Volume

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DEMO

Gross Profit Planning in SAC Based on Volume Input from IBP

- Driver based Gross Profit Planning
  - Volumes imported from IBP
  - Sales prices & Discounts imported from SAP S/4HANA
  - Cost prices imported from SAP S/4HANA

Wrap up

- The main challenges for most companies today
  - Due to the duration of the budgeting process, the budget is no longer relevant at the day of release
  - Financial forecasting is not integrated to supply chain planning (process- and system wise)

- Using SAP Analytics Cloud as a planning tool, will
  - Speed up the budget- and forecasting process
  - Allow for re-calculations of financial impact based on different scenarios
  - Enable collaborative planning within the same system

Where to Find More Information

- https://www.sap.com/products/technology-platform/cloud-analytics.html
  - Overview of SAP Analytics Cloud
- https://blogs.sap.com/2022/10/18/integrated-financial-planning-an-overview/
  - Integrated Financial Planning – An Overview
- https://help.sap.com/docs/SAP_S4HANA_ON-PREMISE/48f4b4785b8e45938ac44a67be8032d9/b14f1606be3a4645afd3cb902dcfddfd.html
  - Integration of SAP Integrated Business Planning with Financial Planning in SAP Analytics Cloud
- https://blogs.sap.com/2021/08/11/boost-your-enterprise-business-planning-with-sap-ibp-integrated-with-sap-analytics-cloud-part-1/
  - Boost your Enterprise Business Planning with SAP IBP + SAP Analytics Cloud
- Elevate your business planning with SAP Analytics Cloud Planning | Implement Consulting Group
  - Book a free SAC for planning demo

Key Points to Take Home

- Demands for change create an increasing need to predict future demand and profitability in financial forecasting in a quick and flexible manner.

- Planned Sales- and Production volumes are the main driver for Financial Planning.

- Accelerate the forecasting process by integrating supply chain planning in IBP and financial planning in SAC into an interlinked process.

- By using integrated volume-driven planning, scenario planning can be done within a system, and not in excel as today.

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