

# 5 ways finance-forward supply chain planning improves business outcomes

Are your supply chain planning and finance teams getting along like cats and dogs?



## What role does finance play in your supply chain planning process?

Traditionally, supply chain planning and finance teams haven't always spoken the same language or been the greatest of allies. Both of these customarily siloed teams contribute significantly to their company's profitability but have done so independently of one another.

What happens if we change that dynamic and the supply chain planning team aligns with finance?

When we align supply chain and their KPIs with the income statement and balance sheet, the entire enterprise is able to respond more quickly to disruptions, be more agile, and better meet financial goals.

## Let's take a look at the top 5 benefits of a finance-forward approach to supply chain planning.

### 1. Make better decisions

#### BEFORE

- ▶ Financial executives assess revenue, cost, and profit.
- ▶ Supply chain managers are focused on capacity, inventory, and service levels.
- ▶ Financial budgets speak to value.
- ▶ Supply-chain plans are concerned with cost and volumes of materials and products, and are updated on a more frequent basis.

#### AFTER

- ▶ Finance and supply chain still maintain focus on supply chain KPIs
- ▶ Data flows transparently through all systems, giving everyone more valuable information at their disposal.
- ▶ Finance gets more visibility into overhead and allocates money more efficiently.
- ▶ Supply chain planners can align customer orders and improve fill rates while ensuring the right inventory is available with higher accuracy. Their decisions are integrated into the financials, and they can see the financial impact that they have.



## 2. Better management of goods and inventory

### BEFORE

- ▶ Supply chain thinks in units, while finance thinks in dollars.
- ▶ When there are surprise spikes in demand, spending needs to increase, while surprise dips in demand cause overhead to increase.
- ▶ With supply chain operating independently of finance, gaps in visibility can lead to inaccurate forecasting and material inequalities.

### AFTER

- ▶ Finance gains visibility into both supply and demand and can base its decisions on more acute data such as sales forecasts, procurement expenses, manufacturing costs, and cash flows.
- ▶ Supply chain planners can better optimize inventory with more freedom to automate buying processes and support longer-term decision horizons.
- ▶ If supply chain needs more inventory for a promotion, everyone can see the balance sheet impact and understand the financial cost of that decision.



## 3. Improve resiliency and agility

### BEFORE

- ▶ Supply chains faced a serious challenge during the pandemic with demand and supply fluctuating on new levels.
- ▶ Without considering finance, supply chain may increase procurement based on a spike in demand, only to be left with an inventory surplus when that demand diminishes.

### AFTER

- ▶ A resilient solution connects demand and supply so forecasting changes on the demand side are automatically reflected on the supply side, as well as in the financials.
- ▶ Users can run scenario analysis to get a range of probabilities from the minimum to the maximum forecast and planners can then make more sustainable decisions.
- ▶ The better the model, the more effectively both supply chain and finance can manage change and unforeseen variables.
- ▶ In the end, reducing inventory surplus and forecasting for low demand will improve the bottom line and reduce supply chain costs.



## 4. Consistent, accurate measurements of performance

### BEFORE

- ▶ Without a cohesive measurement process, supply chain could look at its reports and think they are doing great while the financials suggest something entirely different.
- ▶ Finance doesn't get frequent updates from supply chain, so decisions may be based on out-of-date data.

### AFTER

- ▶ Although finance and supply chain maintain different timelines, they are aligned on metrics and reports have input from both to provide an accurate view of the health of your company.
- ▶ When systems are integrated, there is no lag time and information flows transparently to all stakeholders. The result is fewer surprises and better alignment across KPIs.
- ▶ Adopting a finance-forward approach lets businesses gain a more complete view of their financial and operational health.



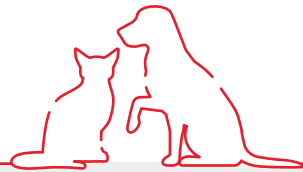
## 5. Improved risk management

### BEFORE

- ▶ If finance and supply chain don't work together, it becomes very difficult to properly manage risk.
- ▶ Finance has often maintained a hands-off approach to dealing with supply chain problems and vice versa.
- ▶ Handling problems in a siloed manner isn't effective in the long term.

### AFTER

- ▶ When forecasts and demand signals are connected, you're better positioned to assess and manage risk.
- ▶ Eliminating the lag time between supply chain and finance time horizons allows you to see impacts and volatility more clearly. Decisions can be made quickly and confidently with near real-time visibility into critical KPIs.
- ▶ A new finance-forward perspective allows you to put more reliable risk-management plans in place.



## Amazing things can happen when supply and finance team up

CCH® Tagetik's Supply Chain Planning solution increases resilience and optimizes operational efficiencies by enabling near real-time, integrated business planning that connects Finance, Demand, Supply, Production, and Sales & Operations (S&OP).

### Our AI-based, predictive intelligence solution can help you:

- ▶ Automate supply chain planning
- ▶ Facilitate SIOP and IBP processes
- ▶ Use workflows to establish cadence, streamline, and create functional accountability
- ▶ Drive consensus of demand, supply, and production plans with financials
- ▶ Optimize inventory and working capital, cash flow, balance sheet, and P&L performance
- ▶ Reduce customer service issues
- ▶ Control risk

Read ***The ultimate buyer's guide to supply chain planning.***

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