RESEARCH REPORT

Optimizing the Supply Chain by Aligning the Planning and Sourcing Functions

When sourcing and financial planning and analysis (FP&A) teams are empowered by collaborative technology, they can remain closely aligned to maintain business continuity and agility despite supply chain disruptions. According to this Harvard Business Review Analytic Services Survey, conventional methods of collaboration—such as email and spreadsheets—require teams to work with data that's outdated as soon as it's recorded. Meetings between sourcing and FP&A teams often happen after the budget has been set, reducing opportunities for sharing knowledge.

However, connected and collaborative sourcing and planning allow for better decision making by eliminating communication silos, providing real-time access to data, and strengthening cross-functional relationships. Rather than creating a fixed budget that sourcing must follow, FP&A teams can use technology to proactively work with procurement to develop a budget that best supports the broader business goals.

As an example, when planning capital expenditures projects, FP&A professionals who leverage planning technology are able to share projected budgets with sourcing teams in advance. Sourcing teams are able to utilize these budgets to determine the right suppliers at the right rates, driving savings during the request for proposal process and contract negotiations with the use of collaborative strategic sourcing technology.

This shared data ultimately empowers the planning team to create more accurate budgets and forecasts that reflect continuously changing market conditions. The ability to access real-time savings information also enables FP&A leaders to reallocate savings to other projects, begin new projects, or bank them for later use. When FP&A and sourcing are aligned, they can help the business remain flexible and resilient while navigating uncertainty.

As economic volatility increases around the globe, sourcing and FP&A teams can no longer rely on manual processes and static data to guide the business and maintain continuity. It is now essential that companies be able to gain insight into their savings in real time in order to plan efficiently and make more timely decisions. Cloud-based technology helps both teams give finance partners complete visibility into savings initiatives across the business. On the sourcing side, technology helps teams identify and prioritize strategic suppliers that ultimately drive more value for the business.

With increased collaboration and time savings, teams that connect planning and sourcing are better prepared to adapt to economic uncertainty and build better futures for their business. Curious to see how businesses are using Workday Adaptive Planning and Workday Strategic Sourcing to maximize procurement and planning value? View this webinar for an in-depth demo of how these two solutions work together to provide real-time insight and visibility into companywide savings.

Chris Wada
General Manager,
Spend Management

Workday

Optimizing the Supply Chain by Aligning the Planning and Sourcing Functions

Accurate financial planning and disciplined spending are hallmarks of successful businesses. They're also perpetual challenges for the planning and sourcing teams, which often find it difficult to easily collaborate using a shared set of data. In October 2022, Harvard Business Review Analytic Services conducted a global survey of 536 members of the Harvard Business Review audience who are familiar with their organization's financial planning and procurement/sourcing activities and whose organizations' two functions operate in separate departments. The survey finds that while 72% of organizations place a high degree of importance on collaboration between planning and sourcing, only 36% say those two functions are highly collaborative.

The consequences of this disconnect are significant. Sixty percent of executives say a lack of collaboration between the two functions compromises the resilience of their organization's supply chain. Fifty-six percent say it can lead to a lack of confidence in budgeting/planning due to frequent surprises in variance versus budget, and 53% say it can increase the risk that spending will exceed budget. Nearly as many—46%—say it has already caused spending to exceed budget at their organization.

These consequences arise at a decidedly inopportune time. Eighty-four percent of the survey respondents say inflation is making it harder to stay within their procurement budget, 80% say their organization's supply chain has been disrupted by the pandemic, and 71% say their supply chain has been disrupted by geopolitical events.

HIGHLIGHTS

72% of executives say their organization places a high degree of importance on **collaboration between planning and sourcing**.

51% of executives at organizations that have integrated their planning and sourcing applications say it **enables more accurate forecasting of future spending**.

36% of executives say their organization's planning and sourcing functions are **highly collaborative**.

Due to rounding, some figures in this report may not add up to 100%.

"Leading organizations are developing a common data set that's accessible to and understood across functions. They're using technology to bring different parts of the business together and give them an ability to look across the organization and make smart decisions," says Kevin Linderman, department chair and professor of supply chain management at Penn State University's Smeal College of Business.

The good news is that some businesses have found ways to better align planning and sourcing and are reaping substantial benefits as a result. Leaders—defined here as organizations that place a high level of importance on collaboration between the two groups and report high levels of collaboration between them—evidence far more competency than their peers do in forecasting and managing costs. They are more likely to be effective at integrating planning with downstream operations, for example, and at giving finance early insight into upcoming spend. They also are more likely to be able to use real-time pricing data to project costs and to ensure predictable cash flow by managing discretionary spending on a timely basis.

Supply chain experts cite many reasons for the struggle to align planning and sourcing. High among them are the use of differing metrics and incentives for the two functions and siloed information systems that make it hard for them to work from the same data. The latter finding points to a solution. By aligning the information systems used by the two teams and bridging data gaps between them, organizations can go a long way toward facilitating collaboration and producing better outcomes. For instance, at organizations that have integrated their planning and sourcing applications, 51% of executives say it has minimized overspending and, similarly, 51% say it has enabled more accurate forecasting of future spending.

"The most progressive executives I know are looking at exactly this issue of collaboration between planning and sourcing," says consultant Harold Good, president and CEO of Procurement Pros Group in Dunedin, Florida. "They're asking how their planning and sourcing functions communicate with each other and how they can ensure that everyone has access to the same relevant data."

Kevin Linderman, department chair and professor of supply chain management at Penn State University's Smeal College of Business, agrees. "Leading organizations are developing a common data set that's accessible to and understood across functions," he says. "They're using technology to bring different parts of the business together and give them an ability to look across the organization and make smart decisions."

This report will explore the challenges businesses and their procurement departments face in facilitating communication and collaboration between the planning and sourcing teams. It will examine the negative consequences that result from shortcomings in this area and look at ways companies can make it easier for planning and sourcing to collaborate and drive better business outcomes, including through the use of new technology platforms. Finally, it will show how creating this new and more optimal procurement model will allow organizations to better mitigate procurement risks and become even more agile and resilient.

The Critical Importance of Collaboration

Business success is a team effort, but at many organizations siloed operations and uneven access to data conspire to limit collaboration. For the past three years, that's been a particularly critical problem for financial planning and sourcing. The onset of the Covid-19 pandemic in early 2020 disrupted supplies of goods around the world and drove up prices for those that could be found. Then, Russia's invasion of Ukraine in early 2022 roiled global energy markets, exacerbating the inflationary pressures triggered by the pandemic and further disrupting supply chains.

All these developments have left many organizations scrambling to find the materials and components they need while still maintaining a culture of cost containment. Nearly two-thirds of the survey respondents—64%—say their organization's procurement costs for goods and services exceeded budget in their latest fiscal year.

To be sure, organizations have been taking strong measures to cope with these disruptions, including expanding their supplier base (54% of those represented in the survey have done so), modernizing and streamlining processes (50%), automating processes (44%), adopting new planning/sourcing platforms or applications (43%), and raising the prices they charge customers (41%).

It's not clear, though, that these measures will deliver what organizations are ultimately striving for: truly borderless

collaboration within a sustainable ecosystem of suppliers, distributors, partners, and customers, all powered by the effortless sharing of data and insights between planning and sourcing.

In fact, many organizations have much to do before they reach that state of nirvana. Only 32% of organizations represented in the survey are defined as leaders, meaning they place high importance on collaboration between financial planning and sourcing and that those two functions are, in fact, highly collaborative at their organization. Thirty-seven percent are defined as followers, meaning they consider collaboration at least somewhat important and that these two functions are somewhat collaborative at their organization. Thirty-one percent are defined as laggards, meaning either they're not very collaborative, regardless of the degree to which they consider collaboration important, or they don't consider collaboration very important, regardless of how collaborative they actually are.

There are many reasons, among them cultural issues, for these disconnects. "Planning and procurement are usually done by very different people using very different data," says Chris Caplice, a senior research scientist at the Massachusetts Institute of Technology (MIT), where he also serves as founder and director of the MIT Freight Lab, executive director of the MIT Center for Transportation and Logistics, and director of the MicroMasters Credential Program in Supply Chain Management. "The planning culture is much more analytical. Sourcing is much more execution focused. They attract different types of people."

Barriers to Closer Collaboration

Cultural issues aren't the only hindrances. Hurdles to collaboration between planning and sourcing are numerous, but survey respondents indicate that organizational silos—and siloed information systems—head the list. Forty-seven percent say having the two teams report to different department heads inhibits collaboration, and 40% say that siloed information systems also are a problem. Followers and laggards tend to face challenges to facilitating collaboration between financial planning and sourcing more often than leaders do. **FIGURE 1**

With those structural hurdles being so common, just 21% of executives say their organization's planning and sourcing groups have real-time access to the same data, and only a bit over half—54%—say their planning and sourcing departments know what the other is doing in near-real time.
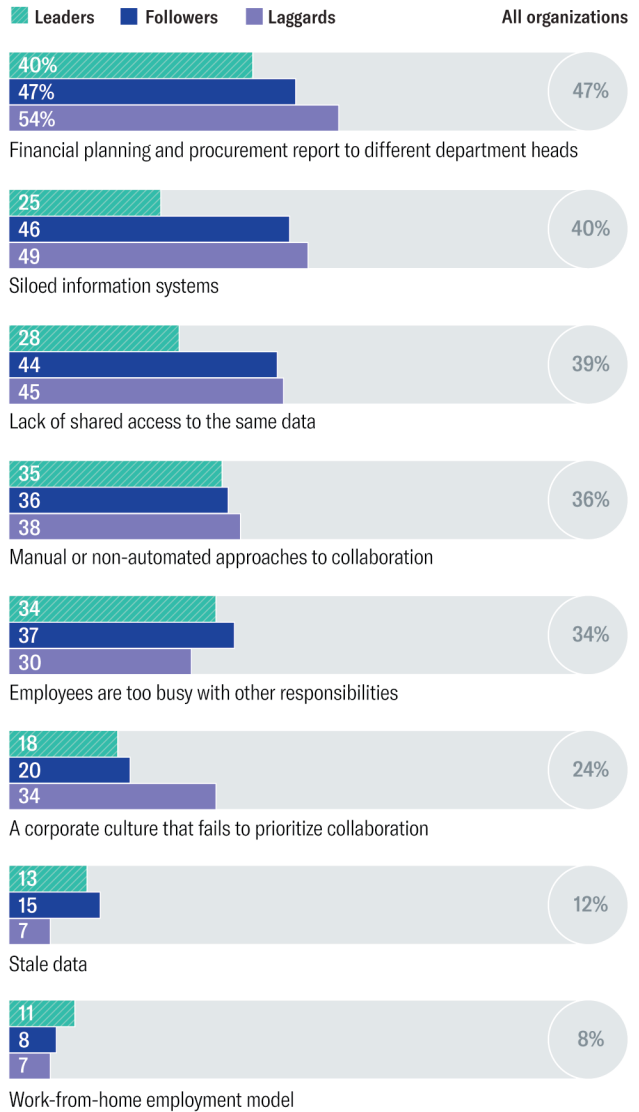
Lacking technology platforms that could facilitate collaboration also weighs heavily on planning and sourcing at most companies. While the two groups certainly communicate, they often do so manually—through emails (79%), face-to-face/in-person meetings (74%), and phone

FIGURE 1

Siloed Operations and Systems Hinder Collaboration

Executives also blame manual approaches for collaboration shortcomings

What are the biggest challenges to facilitating collaboration between financial planning and sourcing functions in your organization?

■ Leaders ■ Followers ■ Laggards   All organizations

Financial planning and procurement report to different department heads — Leaders 40%, Followers 47%, Laggards 54%, All organizations 47%

Siloed information systems — Leaders 25, Followers 46, Laggards 49, All organizations 40%

Lack of shared access to the same data — Leaders 28, Followers 44, Laggards 45, All organizations 39%

Manual or non-automated approaches to collaboration — Leaders 35, Followers 36, Laggards 38, All organizations 36%

Employees are too busy with other responsibilities — Leaders 34, Followers 37, Laggards 30, All organizations 34%

A corporate culture that fails to prioritize collaboration — Leaders 18, Followers 20, Laggards 34, All organizations 24%

Stale data — Leaders 13, Followers 15, Laggards 7, All organizations 12%

Work-from-home employment model — Leaders 11, Followers 8, Laggards 7, All organizations 8%

Source: Harvard Business Review Analytic Services survey, October 2022

calls (44%). Those kinds of connections may not be fast or scalable enough to drive insights or decisions at the speed required in a digital world.

Tobias Schoenherr, professor of purchasing and supply chain management at Michigan State University's Broad

College of Business, says his research has shown that the procurement team frequently has an easier time collaborating with external suppliers than with internal stakeholders.

Technology—or the lack of it—isn't the only cause of internal disharmony.

Douglas Lambert, Raymond E. Mason Chaired Professor Emeritus and Academy Professor at the Fisher College of Business at The Ohio State University, says the disconnect between planning and sourcing also is hampered by their being measured differently. Planning might develop a spending plan based on minimizing inventory, for example, which would require prioritizing suppliers that can ensure short lead times, complete orders, and reliable delivery of goods. But sourcing might be rewarded primarily for finding suppliers that deliver goods at the lowest possible cost, causing them to shortchange delivery reliability. These differing metrics can lead planning and sourcing to act "as if they're not working for the same shareholders." And Chad Autry, associate dean for research and faculty and professor of supply chain management at the Haslam College of Business at the University of Tennessee, notes that while planning is meant to look to the future, negligible access to live data from procurement can mean that spending plans too often look backward rather than forward.

Consequences of Poor Collaboration: Overspending, Less Resilience

The consequences of poor collaboration between planning and sourcing—and the inability of those two departments to access the same data—can be dramatic. In service industries, where head count planning feeds into sourcing, it can lead to having too much or too little real estate or office equipment. For manufacturers and retailers, it can result in having too much inventory—and too much spending to house it. Or it can lead to having the right inventory in the wrong places. For retailers, these inventory issues can lead to markdowns and stockouts. For manufacturers, they can result in shortages of key components, perhaps forcing them to ship products without full functionality. In both cases, they can result in companies spending too much on transportation relative to what they're actually selling and having excess cash tied up in working capital.

Ultimately, all these negative developments make it harder to serve customers, especially when supply chains are challenged by extraordinary developments like those experienced over the past three years. Sixty percent of executives say the lack of collaboration between planning and sourcing is compromising the resilience of their organization's supply chain today.

Beyond inventory issues, a lack of collaboration between planning and sourcing can inject high levels of uncertainty into planning and lead to cost overruns. Fifty-six percent of

executives say this lack of collaboration can lead to a lack of confidence in budgeting and planning due to frequent surprises in variance versus budget, and 53% say it can increase the risk that spending will exceed budget. Nearly half of executives—46%—say it already has caused spending to exceed budget at their organization.
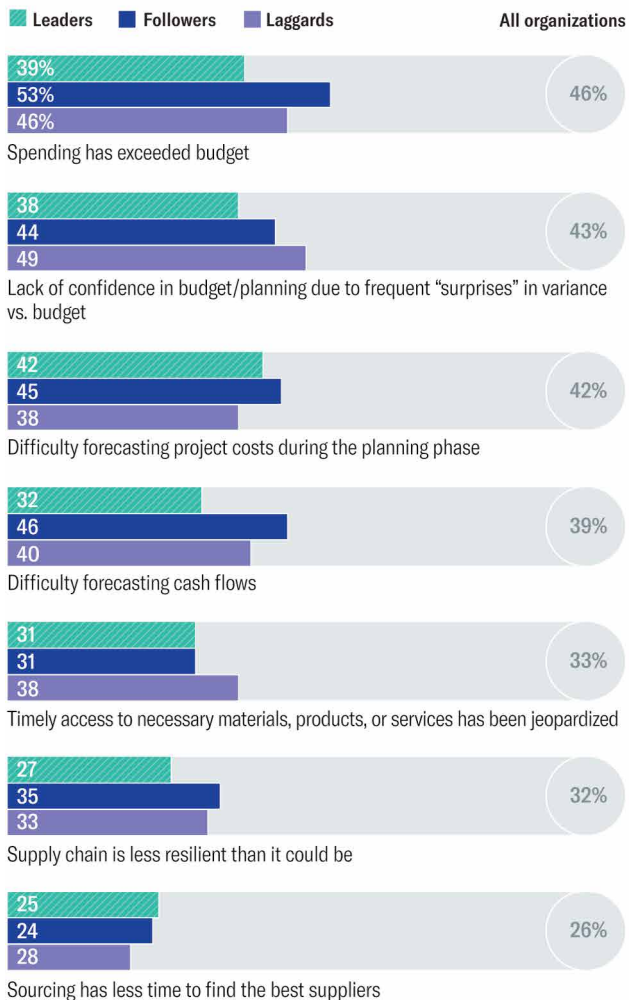
In almost all cases, these negative developments manifest themselves far more often among followers and laggards than they do among leaders. **FIGURE 2**

FIGURE 2

Poor Collaboration Sabotages Budgets and Supply Chains

Leaders are often able to avoid the worst outcomes

What negative consequences has your organization experienced because your financial planning and sourcing functions can't easily collaborate?

■ Leaders   ■ Followers   ■ Laggards   All organizations

Spending has exceeded budget
- Leaders: 39%
- Followers: 53%
- Laggards: 46%
- All organizations: 46%

Lack of confidence in budget/planning due to frequent "surprises" in variance vs. budget
- Leaders: 38
- Followers: 44
- Laggards: 49
- All organizations: 43%

Difficulty forecasting project costs during the planning phase
- Leaders: 42
- Followers: 45
- Laggards: 38
- All organizations: 42%

Difficulty forecasting cash flows
- Leaders: 32
- Followers: 46
- Laggards: 40
- All organizations: 39%

Timely access to necessary materials, products, or services has been jeopardized
- Leaders: 31
- Followers: 31
- Laggards: 38
- All organizations: 33%

Supply chain is less resilient than it could be
- Leaders: 27
- Followers: 35
- Laggards: 33
- All organizations: 32%

Sourcing has less time to find the best suppliers
- Leaders: 25
- Followers: 24
- Laggards: 28
- All organizations: 26%

Source: Harvard Business Review Analytic Services survey, October 2022

60%

of executives say the lack of collaboration between planning and sourcing is compromising the resilience of their organization's supply chain today.

Ultimately, only 39% of leaders say their supply chain is being compromised by a lack of collaboration between planning and sourcing, versus 72% of followers and 65% of laggards. Similarly, only 12% of leaders say their spending for goods and services went significantly over budget in their latest fiscal year, versus 20% of followers and 27% of laggards.

Supply chain experts interviewed for this paper say a lack of collaboration between planning and procurement also can lead to strained supplier relationships when suppliers must deal with planning and sourcing departments that aren't on the same page.

Eventually, all these negatives can jeopardize an organization's survival, Michigan State University's Schoenherr says, because "supply chains that aren't managed well can make or break a company." Conversely, organizations that take measures to avoid these missteps can gain an edge on their competitors.

"If you're able to respond to a disruption or a problem by better coordinating across your supply chain—and better than your competition—you're delivering more, or delivering it more quickly, for your customer," says Penn State University's Linderman. "That will make you a preferred source for that customer. It can provide a competitive advantage."

How Leaders Use Technology to Facilitate Collaboration

With so many potential hurdles to collaboration between planning and sourcing, wishing them away isn't a solution. The companies doing the best job of facilitating collaboration, Autry of the University of Tennessee says, have made a strategic commitment to it and are investing in the technology needed to make it happen.

"They really put their money where their mouth is, in terms of gaining visibility across their operations," he says.

The survey findings support the view that technology can play a role in improving collaboration. Across all three groups defined in the survey—leaders, followers, and laggards—the most common way that planning and sourcing teams collaborate is via email. It happens at about eight in 10 organizations, regardless of where they rank in terms of collaboration. But among leaders, the two groups are more likely to also collaborate using software platforms or applications that allow them to easily share information. Sixty-three percent of leaders use this type of technology, versus 43% of followers and 31% of laggards. Leaders also are more likely to collaborate via instant messaging. **FIGURE 3**
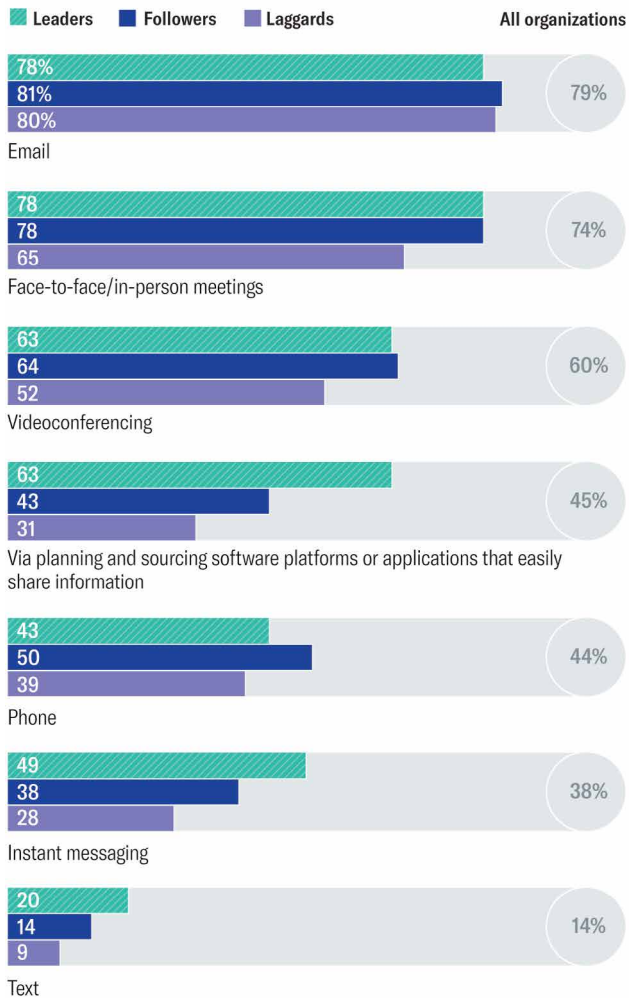
Perhaps as a result of their wider use of technology to facilitate collaboration, leaders are more likely than followers or laggards to report that their planning and sourcing teams both know in near-real time what the other team or

Leaders Lean on Technology to Collaborate

Followers and laggards depend more on manual forms of collaboration

In what ways do your financial planning and sourcing functions collaborate?

Legend: ■ Leaders ■ Followers ■ Laggards | All organizations

Email
- Leaders: 78%
- Followers: 81%
- Laggards: 80%
- All organizations: 79%

Face-to-face/in-person meetings
- Leaders: 78
- Followers: 78
- Laggards: 65
- All organizations: 74%

Videoconferencing
- Leaders: 63
- Followers: 64
- Laggards: 52
- All organizations: 60%

Via planning and sourcing software platforms or applications that easily share information
- Leaders: 63
- Followers: 43
- Laggards: 31
- All organizations: 45%

Phone
- Leaders: 43
- Followers: 50
- Laggards: 39
- All organizations: 44%

Instant messaging
- Leaders: 49
- Followers: 38
- Laggards: 28
- All organizations: 38%

Text
- Leaders: 20
- Followers: 14
- Laggards: 9
- All organizations: 14%

Source: Harvard Business Review Analytic Services survey, October 2022

department is doing. Eighty-four percent of leaders boast this capability, versus 54% of followers and just 24% of laggards. Similarly, 42% of leaders say their planning and sourcing functions share real-time access to the same data, versus 12% of followers and 11% of laggards.

"You have to ensure that everyone is working from a single source of truth," says Linda Dunn, faculty director and assistant professor of the practice in the Master's in Supply Chain Management at Georgetown University's School of
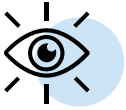
"You have to ensure that everyone is working from a single source of truth," says Linda Dunn, faculty director and assistant professor at Georgetown University's School of Continuing Studies.

Continuing Studies. "That's not always easy because data is not always real time, and it comes from different sources. Good data management is critical."

Schoenherr adds that simply by bringing technology to the table, organizations can change the mindset around collaboration because implementing new technology platforms will often be accompanied by a review and optimization of the underlying processes that go into its use. That review and optimization process can be done, he says, "with the objective of fostering collaboration, information sharing, and integration. It can help to change the culture."

Where organizations struggle to use technology to improve collaboration between planning and sourcing, internal shortcomings often play a role. Forty-six percent of survey respondents say a lack of sophistication in their internal planning or sourcing functions limits their organization's ability to use technology to improve collaboration. And 42% say their efforts in this area are limited by a lack of awareness about available platforms, solutions, or benefits.

Here again, these shortcomings are notably more prevalent among laggards and followers. Only 33% of leaders point to a lack of sophistication in their internal planning and sourcing functions, for example, compared to 51% of followers and 53% of laggards. This finding suggests that organizations struggling with collaboration will need to either beef up their internal teams or enlist help from third-party vendors or consultants to help them keep pace with their competitors.

The Many Benefits of Close Collaboration

The benefits of strong collaboration and sharing of data between planning and sourcing—what Ohio State's Lambert refers to as "synchronization"—are multifold.
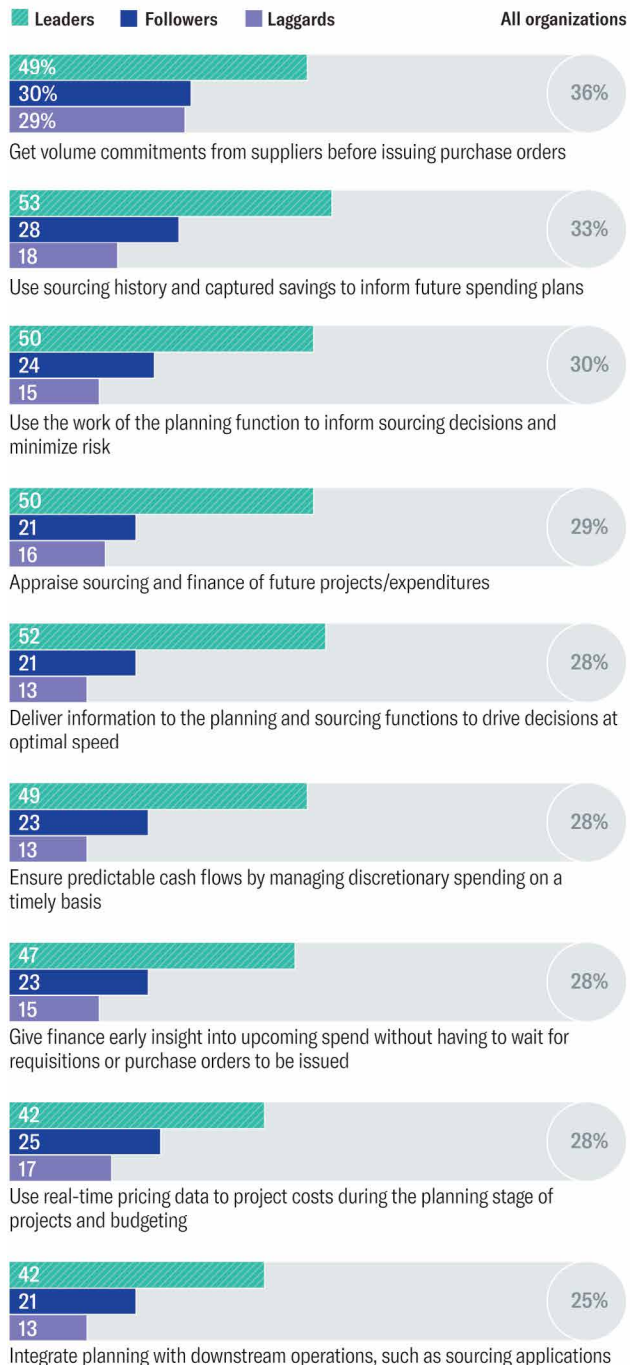
Leaders are far more likely than laggards—52% versus 13%—to be highly effective at delivering information to the planning and sourcing teams to drive decisions at optimal speed. Leaders also are much more likely to be able to give finance early insight

FIGURE 4

Leaders Outpace Peers in Forecasting, Managing Costs

A commitment to collaboration pays off in predicting and controlling spend

How effective is your organization at accomplishing the following tasks? (Percentage answering "highly effective.")

Leaders Followers Laggards   All organizations

	Leaders	Followers	Laggards	All organizations
Get volume commitments from suppliers before issuing purchase orders	49%	30%	29%	36%
Use sourcing history and captured savings to inform future spending plans	53	28	18	33%
Use the work of the planning function to inform sourcing decisions and minimize risk	50	24	15	30%
Appraise sourcing and finance of future projects/expenditures	50	21	16	29%
Deliver information to the planning and sourcing functions to drive decisions at optimal speed	52	21	13	28%
Ensure predictable cash flows by managing discretionary spending on a timely basis	49	23	13	28%
Give finance early insight into upcoming spend without having to wait for requisitions or purchase orders to be issued	47	23	15	28%
Use real-time pricing data to project costs during the planning stage of projects and budgeting	42	25	17	28%
Integrate planning with downstream operations, such as sourcing applications	42	21	13	25%

Source: Harvard Business Review Analytic Services survey, October 2022

into upcoming spend without having to wait for requisitions or purchase orders to be issued, use real-time pricing data to project costs during planning and budgeting, and ensure predictable cash flow by managing discretionary spending on a timely basis. **FIGURE 4**

Access to collaboration-enabling technology appears to play a significant role in these differences in capabilities. Survey respondents at organizations with integrated planning and sourcing applications say having those integrated applications has resulted in multiple benefits for their organization. Fifty-one percent say it has minimized the risk of overspending, and 51% also say it has allowed their organization to more accurately forecast future spending. Forty-nine percent

FIGURE 5

Integrated Technologies Yield Big Collaboration Rewards

Collaborative planning and sourcing platforms improve forecasting and budgeting

If your organization has integrated planning and sourcing applications, which if any of the following benefits has your organization realized as a result?

My organization is now better able to...

51%	Minimize risk of overspending
51	More accurately forecast future spending
49	Give finance insight into upcoming spend
45	Deliver timely information to the planning and sourcing functions
42	Use a planning platform or application to inform sourcing activities
41	Have greater confidence in financial plans
34	Use real-time data to project costs
31	Manage discretionary spending on a timely basis
29	Apprise sourcing and finance of upcoming expenses

Source: Harvard Business Review Analytic Services survey, October 2022

say that use of these technologies has given their finance department insight into upcoming spend, and 41% say it has given their organization greater confidence in their financial plans. **FIGURE 5**

The advantages that accrue to organizations where planning and sourcing are able to easily collaborate and work from the same data, Autry says, ultimately lead to better service to the customer, because it leaves those organizations better attuned to nuances in customer demand.

"If customers are asking for different things, the place to get out ahead of that often is not at the salesperson level but at the procurement group level," Autry says. "They're the ones that are going to be able to enact a change."

By way of example, Autry points to an auto manufacturer whose fleet customers are experiencing a recurring failure in their vehicles.

"A failure like that is not always a manufacturing issue," Autry explains. "Sometimes it goes all the way back to a component you're buying. To the extent you can communicate that finding backward through your supply chain more quickly, you'll be able to react faster than your competitor. You'll be able to create little first movers all through your supply chain whenever you see something going wrong. I've seen this happen in cars, I've seen it in big earthmoving machinery, and I've seen it in the paper industry."

Ultimately, Autry says, close collaboration across the supply chain allows companies to minimize inventory without jeopardizing operations.

"You want to be lean while being agile," he says. "Most companies can't be both, but there are a few that can, and they are really smoking the competition."

Here again, survey findings demonstrate the impact of a lack of collaboration between planning and sourcing. Seventy-two percent of followers and 65% of laggards say this lack of collaboration is compromising the resilience of their organization's supply chain. Among leaders, just 39% of executives say the same.

Improving Collaboration between Planning and Sourcing

Organizations that wish to capitalize on better collaboration between planning and sourcing may want to start by rooting out any organizational obstructions to collaboration and replacing or supplementing manual approaches to collaboration with planning and sourcing software platforms that facilitate real-time sharing of data. Organizations lacking the technical expertise to identify and implement those platforms will certainly need to acquire it, perhaps leaning on third-party vendors or consultants if necessary.

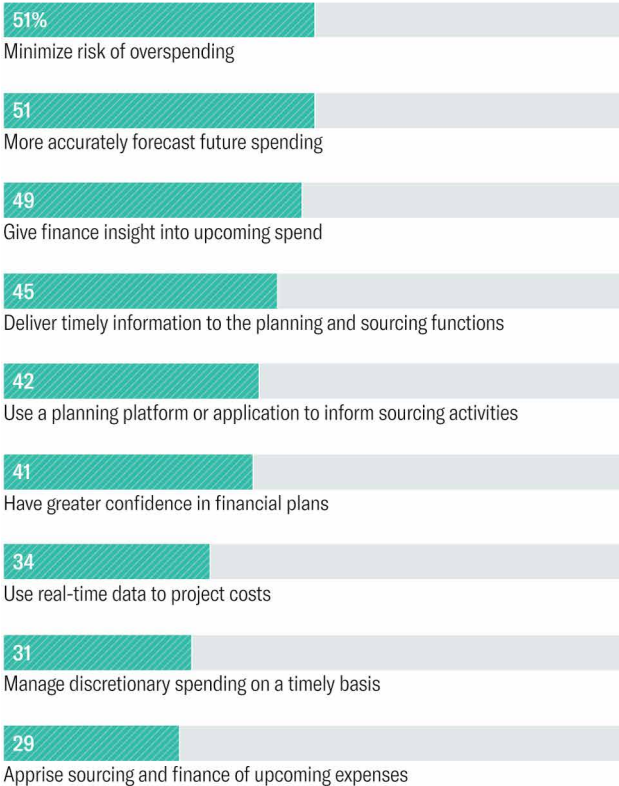Supply chain experts offer this additional advice for promoting technology-enabled collaboration.

"You want to be lean while being agile. Most companies can't be both, but there are a few that can, and they are really smoking the competition."

Chad Autry, the University of Tennessee's Haslam College of Business

"Driving better collaboration requires a commitment from everyone involved, including leadership," says Tobias Schoenherr, professor of purchasing and supply chain management at Michigan State University's Broad College of Business.

Encourage leaders' support—now and for the long haul.

While planning and sourcing departments may be able to improve collaboration on their own by communicating and sharing information more often and more regularly, the biggest gains are likely to come when senior leaders get involved and make it clear that enabling collaboration—and leveraging the benefits—has become a priority.

"Driving better collaboration requires a commitment from everyone involved, including leadership," says Schoenherr. "It should not be a singular project but all-encompassing and long term. Greater integration and collaboration only persist in the long run if this thinking is ingrained in everyone and informing their daily activities."

Put planning and sourcing closer together—literally.

Georgetown University's Dunn notes that prior to moving into academia, she had worked for more than 20 years at HMSHost, a food service company based in North Bethesda, Md., where she ultimately became vice president for supply chain and quality assurance. In that role, Dunn oversaw both planning and sourcing. While the company's planners and buyers worked closely together, she said, it was in part because her organization made a concerted effort to facilitate that. One way it drove collaboration was by having people from planning attend supplier meetings with those from sourcing, so the two groups were hearing the same information. The company also configured its office floor plan to put planners and buyers adjacent to each other. Having the two groups working closely together, Dunn says, made it easier to manage relationships with suppliers and also promoted more accurate forecasting because it gave planners earlier access to data about sales and inventory trends.

If physically locating planning and sourcing next to each other is difficult due to remote or hybrid work models, leaders need to ensure employees have the resources they require to stay connected. Planning and sourcing technology platforms that promote and enable close collaboration could be critical in these situations.

Prioritize visibility and usability when choosing a technology platform or application to facilitate collaboration.

MIT's Caplice stresses that the new technology must allow the planning and sourcing teams to see the same data. Autry adds that the technology should be easy to use, too, to boost the odds that employees will actually take advantage of it.

Look for opportunities to streamline and improve processes.

Dunn suggests that organizations spend time early in the process of adopting new technology understanding not only any new platform or system they're putting in place, but also the processes their planning, sourcing, and other supply chain functions are using and the degree to which those processes may need to change to take full advantage of any new technology.

"Putting good technology over poor processes is futile," she says. "Technology doesn't fix a broken process."

Involve everybody impacted by what's changing.

Because people must implement processes, Schoenherr suggests that organizations solicit input from their end users early in the technology selection process, asking them about the strengths and weaknesses of any existing technology they're using and any concerns they may have about installing a new system. Involving end users early in the decision process, he says, can help drive ownership and buy-in among that group.

Even then, Autry says, organizations will need to clearly demonstrate to people in the planning and sourcing departments how using the technology that's been made available to them and relying on the common data it can deliver can make their jobs easier and make them more effective.

Audit to ensure that new tools and processes are being utilized properly.

Once structural changes and technologies have been put in place to enable cooperation, Dunn advises companies to audit whether the processes developed for them are actually being followed.

"Often, you'll find disconnects," she says. "There will be work-arounds being used, and if groups are not aligned, you may find they're working not against each other but in a manner that's not consistent."

Furthermore, Lambert adds that planning and sourcing need metrics that are aligned in order to produce the best results.

"Often, you'll find disconnects. There will be work-arounds being used, and if groups are not aligned, you may find they're working not against each other but in a manner that's not consistent."

Linda Dunn, Georgetown University's School of Continuing Studies

> Organizations will know their changes are taking hold when the planning and sourcing groups are no longer relying on old methods of communicating and collaborating, according to Autry.

Conclusion

Inadequate collaboration between the planning and sourcing teams continues to compromise supply chain resilience and efficiency at many organizations. But findings from the October 2022 Harvard Business Review Analytic Services survey indicate that organizations can improve this collaboration to see greater benefits. Integrated planning and sourcing applications can help them bridge operational silos and ensure that both teams are relying on the same data. Involving end users of these applications early in the process and following up to make sure they're taking full advantage of new tools and processes can lead to more accurate forecasts of future spending, lower odds of overspending, and greater confidence in financial plans.

Organizations will know their changes are taking hold when the planning and sourcing groups are no longer relying on old methods of communicating and collaborating, according to Autry.

"When you can see that people are no longer using work-around spreadsheets they've built, because they've realized that approach wasn't providing the real truth, you'll know you've gotten somewhere," he says.

When that happens, even greater benefits are likely to follow. "When planning and sourcing are well integrated and working from the same data, good things happen," says Dunn. "You have a stronger understanding of your suppliers, facilitating good supplier relationship management. You generate more accurate forecasts because your planners are looking at real-time trends, and that's helpful not only to sourcing but also to production and distribution. Finally, you have better supply chain risk management capabilities because you see things happening faster and your sourcing team is able to address them faster."

Harvard Business Review Analytic Services surveyed 536 members of the Harvard Business Review audience via an online survey fielded in October 2022. Respondents qualified to complete the survey if they were familiar with their organization's financial planning and procurement/sourcing activities.

Size of Organization

40%
10,000 or more employees

32%
1,000–9,999 employees

11%
500–999 employees

17%
50–499 employees

Seniority

28%
Executive management/ board members

37%
Senior management

23%
Middle management

12%
Other grades

Key Industry Sectors

15%
Financial services

13%
Manufacturing

12%
Technology

9%
Energy/utilities

All other sectors less than 8% each.

Job Function

13%
Operations/ product management

12%
Finance/risk

11%
General management

9%
Sales/business development

All other functions less than 8% each.

Regions

34%
North America

28%
Asia Pacific

20%
Europe

10%
Middle East/Africa

8%
Latin America

Figures may not add up to 100% due to rounding.

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