

When Revenue, Service, Inventory, and Cash Conflict, What Wins?

The hardest operating decisions rarely involve choosing between a good option and a bad one. They involve choosing among several objectives that are all legitimate, all measurable, and impossible to maximize at the same time. Integrated Business Planning becomes valuable when it stops being a planning calendar and becomes the place where those conflicts are resolved for the enterprise.

Executive Operations Insights | Saša Cibula

A business can pursue growth, protect customer service, reduce inventory, preserve cash, maximize asset utilization, and improve margins. It just cannot always do all of them at once.

That reality is easy to acknowledge in principle and difficult to manage in practice. Commercial leaders may see a demand opportunity that should be captured immediately. Operations may need a stable schedule and additional capacity to deliver it. Supply chain may want more inventory to protect service. Finance may see working capital moving in the wrong direction. Each function can be making a rational decision from its own perspective while the company, as a whole, moves toward an inferior outcome.

At that point, the executive question is not which function is right. It is whether the organization has a disciplined way to determine which objective should take precedence, for how long, at what economic cost, and under whose authority.

The Conflict Is Not a Planning Failure

Revenue, service, inventory, and cash are not competing because someone planned badly. They compete because the underlying economics of the business contain real tradeoffs. Higher service often requires more buffer inventory or more flexible capacity. Inventory consumes working capital. Capacity flexibility can lower utilization. Aggressive inventory reduction can improve cash while making the company more vulnerable to demand volatility or supply disruption.

The mistake is to treat these tensions as functional problems to be solved independently. Sales optimizes revenue, supply chain optimizes service, operations optimizes throughput and utilization, and finance optimizes cash. If each function wins its own argument, the enterprise can lose.

Research on sales and operations planning has described this cross-functional tension for years. A 2012 synthesis of 271 papers characterized S&OP as a process for integrating business plans and resolving tradeoffs across demand, supply, customer service, inventory, and enterprise performance. More recent academic work on Integrated Business Planning goes further, describing IBP as a mechanism for connecting strategy to tactical choices when functional objectives conflict.

IBP Is a Decision System, Not a Calendar

Integrated Business Planning is often presented as the next generation of Sales and Operations Planning. The more consequential distinction is not the name; it is the level of the decisions.

Oliver Wight describes IBP as a senior-management process that aligns strategy, portfolio, demand, supply, and financial plans into one operating plan over a rolling horizon. McKinsey makes a similar distinction: effective IBP expands beyond demand-supply balancing to include revenue, product portfolios, capital investments, inventory policies, procurement strategies, capacity, risk, and financial outcomes.

That is why IBP belongs with P&L leadership rather than inside one function. In McKinsey assessments of more than 170 companies, mature IBP processes were associated with better service, lower capital intensity, and stronger

financial performance. Yet only about one in four senior executives surveyed believed their companies were effectively balancing cross-functional tradeoffs. The process exists in many organizations; the decision system often does not.

INTEGRATED BUSINESS PLANNING: ONE PLAN, EXPLICIT TRADEOFFS

Executive adaptation of the established IBP sequence for cross-functional business decisions

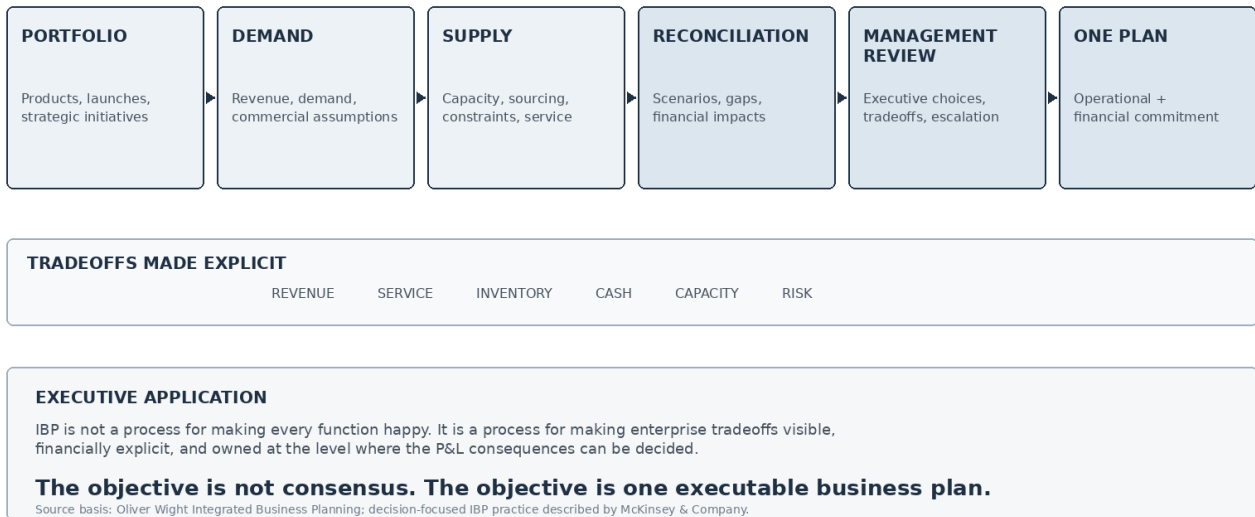


Figure 1. Integrated Business Planning as an executive tradeoff and decision process. Executive adaptation based on the Oliver Wight IBP sequence and decision-focused IBP practice.

There Is No Permanent Winner

The title question has no fixed answer. Revenue should not always beat cash. Cash should not always beat service. Service should not always beat inventory. The correct priority depends on strategy, economics, risk, and time horizon.

A company competing on availability may consciously carry more inventory because service is part of the value proposition. A cash-constrained business may temporarily accept lower service or slower growth to preserve liquidity. A high-margin product launch may justify premium freight and additional working capital because the opportunity cost of missing the market window is larger than the operating inefficiency. A mature, low-growth business may make the opposite choice.

This is why executives need more than a set of functional KPIs. They need an explicit hierarchy of decisions. Strategy should define the customer promise and economic model. Financial guardrails should define how much cash, margin, and capital can be consumed. Risk appetite should define which exposures the company will accept. Scenario planning should then show how different choices move the whole system, not just one metric.

The important question is not “Which metric matters most?” It is “Under these conditions, which objective has priority, and what are we willing to sacrifice to protect it?”

Set the Rules Before the Conflict Arrives

The strongest planning systems do not wait for an executive meeting to discover that functions are optimizing different outcomes. They define the rules of the tradeoff in advance. That begins with the strategic promise: which customers, products, or markets are the company unwilling to disappoint, and where is service differentiation actually part of the business model? It then moves to financial guardrails: how much working capital can the plan consume, what margin erosion is acceptable, and what capital or capacity commitments require executive approval.

The next layer is decision thresholds. A small inventory increase inside an approved range should not require a C-suite debate. A choice that materially changes quarterly cash, compromises a strategic customer, consumes constrained capacity, or changes the risk profile of the plan should. Clear thresholds preserve speed because managers know which tradeoffs they own and which ones belong at a higher level.

Finally, the organization needs a common economic language. Revenue upside without contribution margin is incomplete. Service improvement without the inventory and capacity required to deliver it is incomplete. Cash reduction without the lost-sales or customer-risk exposure is incomplete. The purpose of IBP is to place those consequences on the same page before a decision is made. When the business can see the full economics, disagreement becomes useful: it exposes different assumptions rather than hiding them inside functional plans.

A Practical Example: The Promotion Everyone Likes

Consider an illustrative consumer-products business preparing for a national promotion with a major customer. Commercial leaders see a meaningful revenue opportunity and want maximum product availability. The forecast suggests demand could rise 20 percent above the base plan, but confidence around the upside is limited.

To protect service at the full promotional level, the supply chain would need to build inventory several weeks in advance. Operations would add overtime and reduce schedule flexibility for other products. Transportation would reserve premium capacity. Finance estimates that the plan would materially increase working capital during the quarter, and some of the inventory could remain if demand lands near the lower end of the forecast range.

Every function has a defensible position. Sales does not want to leave revenue on the table. Customer teams do not want stockouts during a strategic event. Operations does not want an unstable schedule. Supply chain wants enough buffer to protect execution. Finance does not want speculative inventory consuming cash.

A weak planning process asks each function to update its numbers and then works toward consensus. A strong IBP process forces the economics of the alternatives into the same decision.

The executive team might evaluate a full-coverage scenario, a more conservative base scenario, and a segmented scenario that protects the highest-value customers or products while limiting exposure elsewhere. Each scenario should show expected revenue, contribution margin, service risk, inventory investment, working-capital effect, capacity implications, and downside exposure if demand does not materialize.

The point is not to produce a mathematically perfect forecast. The point is to make the choice explicit. If leadership chooses to spend cash to protect service and capture upside, that is an enterprise decision. If it chooses to constrain the promotion to protect liquidity, that is also an enterprise decision. What should not happen is for one function to make the tradeoff implicitly through its own plan.

The P&L Owner Must Be the Tiebreaker

Cross-functional planning often fails because participation is mistaken for authority. Everyone attends the meeting, everyone presents a view, and no one is clearly accountable for resolving the conflict.

IBP works differently when decision rights are explicit. Local tradeoffs should be resolved at the lowest level that owns the economic consequences. Enterprise tradeoffs should move to the P&L owner or executive with authority across the competing functions. McKinsey's IBP research describes exactly this logic: decisions should be made at the level where the revenue, margin, cost, or capital tradeoff occurs, with clear thresholds for escalation.

That requires discipline before the meeting. Which decisions can a regional leader make without escalation? How much working-capital movement requires CFO involvement? At what service risk does the commercial leader need to approve a change in the customer promise? Which capacity decisions require the COO or CEO? If these thresholds are unclear, the organization either escalates too much or allows consequential tradeoffs to be made inside silos.

IBP Fails When It Becomes Reporting

The most common failure mode is turning IBP into a monthly presentation cycle. Functions arrive with slides, explain variances, debate whose forecast is correct, and leave with a revised set of numbers. The meeting feels disciplined because it is scheduled and data-rich, but the business is not actually being steered.

High-quality IBP should be exception-driven and decision-led. The routine work happens before the executive review: assumptions are reconciled, scenarios are modeled, constraints are surfaced, and financial consequences are translated. Senior time is reserved for the few issues where competing objectives require an enterprise choice.

BCG's 2026 research on supply-chain planning reaches a similar conclusion. Planning performance is increasingly determined not by access to technology but by how effectively organizations embed tools into decisions, processes, governance, and execution. AI may accelerate forecasting and scenario analysis, but it does not decide what the enterprise is trying to optimize. That remains a leadership responsibility.

The Counterargument: Integration Can Slow the Business

There is a legitimate risk in making planning more integrated: every issue can start to look cross-functional, and every decision can become a committee decision. That is the opposite of what effective IBP should create.

Not every demand change belongs in an executive review. Not every service miss requires a new financial scenario. Day-to-day execution needs autonomous decision rights, thresholds, and guardrails. The role of IBP is to define the plan and the boundaries within which the organization can act quickly, then escalate only when the economics materially change.

This distinction becomes more important as planning technology becomes faster. McKinsey's 2026 work on AI-enabled financial planning argues that organizations can increasingly evaluate risks and tradeoffs continuously rather than waiting for periodic reviews. Faster information should reduce decision latency; it should not create permanent executive involvement in operational noise.

What Wins?

When revenue, service, inventory, and cash conflict, no function should win by default. The strategy should determine the priority, the economics should make the cost visible, and the appropriate P&L owner should make the tradeoff.

That is the real promise of Integrated Business Planning. It does not eliminate conflict between legitimate objectives. It makes that conflict explicit early enough for leadership to choose deliberately rather than discover the consequences after the quarter closes.

The mature question is therefore not whether the company should prioritize growth, service, inventory, or cash. It is whether leadership has defined the conditions under which each one takes precedence, what it is willing to give up in return, and who has authority to make that choice.

If every function optimizes itself, the business becomes the residual. IBP reverses that logic: the enterprise objective comes first, and the functional plans become consequences of the decision.

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