

Delivering supply chain excellence

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Introduction

The proliferation of IT systems has transformed the face of business. There is very little in terms of the operational processes within an enterprise that is not affected by IT and taking full advantage of the benefits they can offer invariably involves significant cultural change. For virtually any scenario, if there is a definable process, there is an IT solution that can automate it. But where does this automation take a company? And is it to a good place?

This document concentrates on IT's contribution to Supply Chain Execution and Management. Most companies, for better or for worse, have implemented software solutions to help automate their supply chain processes over the last twenty years. Invariably, these systems have had a massive impact on how companies operate, both internally and with their suppliers and customers. Business processes, expectation levels and system requirements are likely to have changed significantly and in five years time, they are sure to have changed again.

All companies are different. They may sell the same products and services to the same people in the same volumes. But it is the very culture of companies that dictates how this is done.

The Modern Supply Chain

Integration

After decades of investment in IT systems large and small, many companies are now faced with a frankly daunting array of hardware, software, operating systems, processes, tools and methodologies. Some work, some don't and with many, no-one has any idea what they do. However, one thing is clear. If all these systems could talk to each other, share data and open up to internal and external systems, companies could generate significant productivity gains through minimal investment.

Today's successful businesses are expanding to include markets and business partners from all over the world. As companies grow and business becomes more sophisticated, the need to connect and optimize integrated systems and information increases – inside and outside the organization.

Integration of information gives a vital competitive advantage. Mergers, acquisitions and global markets require integrated information from all systems and business partners to provide a competitive edge. And it has to be quick - when business terms have been agreed, the last thing anyone wants is to wait for respective business systems to be able to speak to each other.

There are now many integration solutions available in the market, but to be effective they have to be affordable, fast to deploy, platform-independent and easy to use, customize or change. To put it simply, an IT integration solution should make it easier to do business and gain a fast ROI on IT investment. More importantly, it needs to be unobtrusive, allowing business partners to keep preferred routines and systems, rather than forcing them to adapt.

Integration solutions allow companies to maximize existing investment while also helping to implement new systems and technologies faster and more effectively. The application of integration has no boundaries, with hundreds of companies around the world already using them to deliver seamless solutions to specific business problems.

The power of integration can be seen in the depth and variety of applications for which it can be exploited. For example:

- Creating seamless links between bill of materials and supply to ensure minimal stock wastage and efficient manufacture/assembly
- An enabling tool for companies wishing to migrate to new enterprise wide systems in stages
- Allows modification to be made to core systems that can be transferred to new version, ensuring companies remain eligible for standard upgrades.
- Improve customer service by allowing orders to be received in customers' preferred format and automatically converting and delivering these into core systems

The list is potentially endless, with the only restriction being imagination.

The effect of this capability for rapid change to the automation of business-critical processes, is very much a cultural one. It is now fairly straightforward to enable connections and utilize functionality across multiple and cross-business systems and this means companies are able to offer services that they couldn't before. This alone impacts other areas of the business and so the whole ethos of company operations comes under scrutiny.

This is why IT systems must be flexible, and remain flexible throughout their lifespan. Integration between applications and trading partners opens companies up and systems must be ready and able to adapt to ensure maximum benefit is achieved. There is little point in allowing customers to check stock levels prior to ordering if this information is inaccurate; it would cause more damage than good.

I believe the proliferation of integration has been the most significant development in IT in recent years. Properly implemented within the supply chain, it has already reaped massive efficiency and profitability benefits for companies all over the world. It is only going to get bigger and I recommend companies yet to look closely at this technology should do so at the first opportunity.

Business Intelligence and Performance Management

With integration driving so many changes within organizations, traditional methods of measuring business performance need to be augmented. Organizations must not only perform well: they must be able to identify how they perform, well or poorly – and why. Internal information isn't enough: companies need to look at and analyze information from business partners all along the supply chain.

Business intelligence and performance management are processes that provide your company with the ability to retrieve and act upon business-critical, timely information from throughout your operations.

Today's companies need business intelligence software that captures, processes and analyzes information from all events and transactions, across functions, departments and organizations. This data must be integrated for feedback to operations systems.

As businesses increasingly search for the best ways to maximize supply chain performance, important answers may lie in a unique model called SCOR.

In the relentless search for ever improving returns on investment and market competitiveness, some of the world's biggest corporations are applying a model that is known as SCOR — the Supply-Chain Operations Reference model — to maximize supply chain efficiency.

Siemens, Hewlett Packard, Intel, BASF, and Coca-Cola all use the SCOR model, because they know survival in today's fierce markets demands detailed scrutiny and reengineering of every link in the supply chain — from the supplier's supplier to the customer's customer. Recognizing the strength of the model, many supply chain software companies are developing stand alone software products to manage and analyze supply chain performance based on SCOR. For the record, IBS was the first company to achieve formal acknowledgement by the Supply Chain Council for its solutions being compliant with the SCOR model.

The SCOR model is the supply chain industry de facto standard model for providing Business Process Modeling data, metrics for evaluating Performance Management and Best Practices information derived from practitioners' experience. It is entirely vendor and technology independent and is the only real independent in-depth reference model for the complete supply chain of all companies.

SCOR makes it possible to make supply chain performance comparisons between companies by industry. It also provides mapping processes to make more effective relationships between partners, suppliers and customers: it is a tool for revitalizing the supply chain internally and externally. Companies deploying SCOR have dramatically cut costs and boosted returns. Using the SCOR-model, Siemens Medical, for example, has been able to cut costs by 30 percent, reduce inventory by 60 percent, and cut order lead-times from 22 weeks to just two.

The SCOR model is organized around five key management processes: Plan, Source, Make, Deliver and Return. Each of these processes is examined on three levels of detail. The first level is strategic, what the company wants from each process area. The second level maps out exactly what is currently happening within each process area. The third level examines the operational level of the process areas, the area where execution can be altered.

SCOR doesn't tell you what changes to make but it maps out where the weak links are. It is then necessary to apply appropriate execution adjustments specific to the particular chain. Successful supply chain management is about consistent scrutiny, getting real time information so you can react to less than optimal performance. It also means getting quality business intelligence.

Companies that will be successful in the long run are those that realize the answer lies in maximizing supply chain efficiency.

Automation

For many years, companies like IBS have enabled businesses to manage and control their operations at a much higher level. The reality of this is that their ability to carry out repeatable processes is much more effective and supply chains have adapted to meet these improvements. A company that, five years ago, delivered to customers on a weekly or monthly basis, is now able to manage that



relationship at a micro-level – in many cases being able to deliver on daily basis.

In order to remain competitive, many companies are expected to provide higher service levels, executing higher numbers of individual transactions with customers on a higher level of frequency. However, the flip side is that often the volume of actual business is not increasing and more frequently the actual real value of the business is decreasing due to continuous pressure on prices. This results in continued pressure on the bottom line margin.

In order to meet these exacting demands, companies are being forced, more than ever, to look at their supply chain operations and processes to identify how they can reduce the overall cost per transaction to its lowest level in order to maintain profitability.

Once again, this is evidence of the way that effective IT systems both forces cultural change on a company and can be used to assist that change. The use of IT to provide Business Process Automation is helping to reduce operational transaction costs and maximize efficiency as well as providing the ability to monitor all aspects of the business and supply chain performance. This impacts the business in many positive ways, but it means the organization has to adapt not only its culture, but also its understanding of the business processes across the supply chain in order to fully realize the benefits.

Supply Chain Systems

ERP versus Best-of-Breed

The argument for a holistic ERP solution against best of breed point systems to handle organizations' supply chain execution and logistics requirements has waged for many years and is almost a religious argument. ERP's case has always been about implementing a common technology platform and solution that can deliver a fully integrated system across an entire organization, generating cost savings and reduced implementation times. Best of breed argues that companies need the additional functionality and expertise that can only be achieved by working with specialists in a particular field.

The answer, as is so often the case in business, is somewhere in between. Why should companies sacrifice functionality for the significant benefits and cost-savings to be gained from an integrated system – and visa versa? There is no real right or wrong – it is all about identifying the Business Drivers and how best to meet them.


Not all ERP companies are the same. IBS, for example, has an established ERP system but it is a supply chain company by heritage, rated as one of the top supply chain vendors in Europe and globally by AMR. This means the functionality and multi-location, multi-country and vertical specific capabilities of each element of the system holds up well, and often more favorably, against many of the best of breed suppliers. Even we, with our functionally rich solutions, have to concede that the largest extremes of warehouses or the most complex transportation requirements can probably only be handled by a specialist advanced best of breed system where the total ROI stacks up, but the reality is that these form a small percentage of the market. Most companies need to look very closely at the bigger business benefits of implementing an enterprise-wide integrated system, against the advantages to be gained from having the odd extra feature or capability. Indeed IBS has significant experience working with RF, automated material handling and picking solutions in markets such as pharmaceutical wholesaling also developing solutions for areas like RFID.

The functionality of ERP systems has risen dramatically over the years and the gaps between them and best of breed applications are becoming less and less. The decision between the two may come down to companies' overall IT strategies. If it is already fragmented then it makes sense to add best of breed applications for specific operational areas. However, if the strategy is to move to a more rationalized common operating platform that can enable faster, more cost-effective deployment, as well as complete integration and visibility that provide comprehensive means for measuring the business, Supply Chain ERP is a clear winner.

Having several best of breed applications inevitably creates silos of information across a business. Whatever best of breed vendors claim about their applications' ability to integrate with other supply chain execution systems, there is simply no comparison with ERP. The whole principle of ERP is that it is already integrated – best of breed simply can't win this argument. Often each best of breed application has its own reporting tools, its own database management system and its own specific means of operation or integration. A good ERP system has a common solution for each of these across the whole organization.

ERP also has an advantage when it comes to adding further applications and functionality. For example, IBS with its supply chain focus has recently created a Parcel Carrier Integration application that allows companies seamless integration between the supply chain systems and the parcel carriers own systems as well as customer services. In doing so, PCI allows customers to save time within the warehouse, provide increased carrier flexibility, reduce errors, improve customer service and increase overall profitability. To add this functionality using a best of breed application would require considerably more in terms of time and cost to implement because it would have to be integrated with existing systems – if it were even available – indeed most warehouse management system do not have their own transport systems and often partner with other best of breed solutions. As part of an ERP system it is already integrated and can be implemented and working very quickly.

We believe that where an ERP company can bring specific industry expertise and high levels of supply chain execution functionality, the argument for going best of breed is a hard to one to win. For the sake of selective localized productivity



improvements, companies are adding significant costs, increasing implementation time and risk and missing out on the massive benefits gained from complete integration and lower costs of ownership. We don't expect companies to settle for either option, we want them to know that they are getting a system without compromise. At the end of the day the secret is delivering business benefits and increased profitability and finding the right supplier who can provide this today and is committed to delivering it in the future.

Managing Change in the Supply Chain

Much is said about having flexibility in software systems to ensure they can meet the specific requirements of a company. However, many systems are as malleable as putty during installation, but set like concrete once they are implemented. This gives companies no room to develop and forces them to discard and replace their software like a crab that has outgrown its shell. And, as is nature's way, that crab is no more vulnerable than when it is waiting for its defence to re-form.

Companies have to change how they operate in order to grow and flourish, so flexibility must be built in to the very core of their IT systems. Mergers, acquisitions, new product lines, new target countries and territories are all part of the on-going development of an organization and it is vital that existing systems can be adapted to cope with these scenarios.

Global Thinking

Rolling an IT system out across several new and existing countries is a major operation and one that needs careful planning and the right software. Companies need to decide on the right approach to adopt, focusing on the business drivers it wants to achieve in each country and on a global basis.

They must create a master environment, which can be rolled out across different territories that is flexible enough to meet the specific requirements and standards of each country. They must understand the different operational needs of individual businesses and be able to manipulate the system to meet these needs without breaking it and losing the benefits to be gained from a global system.


Customer Case Study: IBS delivers global ERP and supply chain solution for Maxell

Maxell Europe has completed its European and Asia Pacific roll-out of its IBS Enterprise integrated ERP and supply chain software solution. IBS was selected by Maxell for its comprehensive international capabilities and ease of implementation.

Maxell's European headquarters are based in the UK and provides support to all subsidiaries and distributors throughout Europe. The company employs more than 350 people in Europe and has a European turnover of EUR 280 million. Martyn Lloyd is Maxell Europe's Senior IT Manager and was responsible for the roll-out of IBS in Europe. He comments, "Because of the success of IBS Enterprise in Europe, Maxell decided to adopt the system as its world standard. We have already implemented the software in Malaysia, Hong Kong, Shanghai and Mexico."

He continues, "IBS as a company is extremely easy to work with. We have confidence in the capabilities of the software and consultants to deliver the best possible solution in every country we have worked in. The software does everything we need, meeting the local accounting standards of each country to ensure a smooth roll-out and transition to the new system. We identified in the selection process that IBS would provide a much lower cost of implementation for each territory. Their honest and capable approach ensures projects do not get stretched out unnecessarily. We estimate that had we selected an alternative system from a larger ERP organization, the length of implementation, and therefore the cost, would have been at least three times as much."

The global implementation at Maxell is a clear example of the international capabilities of IBS and its software. We are able to deliver a world-class solution that meets the requirements of multi-national organizations significantly faster and at, even more significantly, lower costs, than any other major ERP and Supply Chain vendor. IBS' philosophy is to invest heavily in its software and its staff to ensure the product is continuously improving and is capable of supporting our customers well into the future.



Since the European implementation was completed, the company has seen significant and tangible benefits. “We have made considerable savings in administration areas due to the increased automation IBS has given us. In addition, the IBS supply chain tools will allow us to reduce our inventory costs and will make a big difference to the efficiency, productivity and profitability of our overall supply chain,” says Martyn Lloyd.

He concludes, “We were delighted to find a software company that could match our requirements in every country throughout the world but without the huge costs and lengthy implementation associated with many of the larger vendors. With other vendors we would become reliant on them for even the smallest of changes. IBS’ philosophy is to give control to us, which helps us keep costs down and speed the implementation.”

New Technologies – "The Next Big Thing"

There is so often a dramatic lag between press and analyst coverage of a new technology and the actual wide-spread usage of it. Nowhere is this more evident than in RFID.

Today, everyone knows the benefits of RFID, but the fact remains that it is cost prohibitive for the vast majority of supply chains. There is little doubt that its time will come, but for now there are far more immediate and cost-effective technologies that companies can benefit from.

IBS is committed to developing solutions to meet the demands of our customers allowing them to take advantage of the latest technology and working practices while ensuring that business operations are able to operate effectively, efficiently and deliver maximum return.

These aims are reflected in our policy for development, where we utilize the best development environments available to ensure that our solutions provide the functionality and performance that best serves our customers and areas of expertise.

Within IBS we consider the single most important asset within our R&D department to be our people; their skill, knowledge and experience combined with close interactive relationships with our customers allows us to constantly work on the development of new releases of our software solutions to ensure that we support these changing needs and continuously deliver measurable business value.

Contact IBS today:

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