Business Transformation through Process Re-engineering & Enterprise App Evaluation & Selection for a UK Based Paper Manufacturer

SITUATION

Increased business growth led to increased business complexities, and the customer was facing challenges with standardization of business processes, applying best practices pan organization and re-engineer the business to bring in more efficiency. On the technology side, loosely knit custom-built IT applications that were running in silos had significant flexibility and scalability issues. These were inhibiting UK's largest recycled paper manufacturer in exercising desired control over the supply chain

IMPACT

Limited coordination among business functions like procurement, manufacturing, logistics and inventory, marketing, sales and distribution resulted in poor production schedule adherence, under-utilized inventory, and dissatisfied customers due to delays in order delivery

RESOLUTION

ITC Infotech partnered with the customer in analyzing the existing business processes, identifying process improvements and improvising process baseline. This drove the definition for the functional requirements of the future state ERP application that required to be implemented in order to address the customer business needs. ITC Infotech also assisted the client in identification and evaluation of ERP vendors based on pre-defined parameters, and suggested an enterprise-ready business system with appropriate functional and commercial justifications

The Customer

The customer is one of UK's largest manufacturers of recycled paper, with ten mills recycling over 2.7 million tons of waste paper and manufacturing a range of high quality recycled paper every year.

The company produces corrugated grades of paper that are supplied to the packaging industry for conversion into corrugated boards and boxes. Other products include specialty papers catering to diverse industries including construction, food manufacturing, stationery and education.

The Need

To accommodate the need for business expansion, the customer had acquired other paper mills over the years and integrated the new systems within the core processes of the parent company. However, with all these acquired units in place, the customer was facing challenges with standardization of business processes, applying best practices pan organization and re-engineer the business to bring in more efficiency and align it as per future growth plans.

Since the acquired mills and the parent company had different applications running within respective IT environment, the customer was further facing issues with seamless integration between all these systems. This further resulted in ineffective management of mill functioning, logistics and inventory.

Key Challenges Faced by the Customer

- **Business Challenges:** Business challenges include working capital optimization, maximizing asset performance, raw material quality and consumption tracking, addressing customer complaints, better inventory turns and ability to adhere to promised delivery dates for customers. It was also important to address the challenges related to internal business functions operating in silos thereby, hindering operational information visibility and accuracy

- **System Challenges:** The existing IT applications were custom built and had legacy challenges, such as aging applications that are not scalable and point-to-point interfaces leading to process integration and maintainability challenges. Multiple interfaces between the systems resulted in data inconsistency across the existing systems. Most of the reporting and data analysis were manual, causing sub-optimality in resource utilization

The customer thus, wanted to standardize its entire business process and implement an integrated and unified technology platform across all mills, replacing all legacy systems running in silos. The organization planned to implement either a centralized ERP (Enterprise Resource Planning) application based on new age technology or an Order-to-Invoice application and integrate the same with the existing finance system.

It was therefore, necessary for the customer to get expert advice and assessment to understand what would be the right solution for the organization and what would be the right technology platform that would aptly address its business requirements.

The Solution

The need for a suitable business system that could effectively address the process and system challenges affecting the operations, led to initiation of a business system evaluation and selection project. ITC Infotech engaged with the customer and evaluated the current client situation. A thorough assessment of the As-Is processes was performed across all the mills and was validated involving all stakeholders from the customer's side.

Based on the assessment validation, ITC Infotech came up with the recommended process changes and created the To-Be process map as well as functional and technology blueprint.

The system evaluation was done across two categories:

- Order to invoicing process integrating with the financial process
- Enterprise business processes

The end project objective was to develop a business case for both the options by quantifying the business benefits and the payback period through system implementation, so that the customer can decide on a suitable option.

ITC Infotech followed a defined methodology, which included:

- **As-Is Process Study:** Mapping the existing processes to identify the discrepancies
- **To-Be Process Design:** Redesigning the processes to arrive at future state processes in line with "best-in-class" paper manufacturing companies, to unlock potential business benefits
- **Business System Evaluation:** Evaluated various paper industry specific IT systems and conducted "Proof of Concept" workshops
- **Business Case Preparation:** Recommended a suitable enterprise business application which could best address the functional requirements along with quantified estimate of Return on Investment (ROI)

Solution Highlights

- Business Process maps development for "As-Is" and "To-Be" business processes
- Re-engineered and Optimized the following business processes through business workshops to arrive at functional requirements for the following areas:
  - Sales and Operations Planning
  - Manufacturing Execution and Reporting
  - Warehousing and Logistics
  - Costing and Profitability
  - Enterprise Reporting
- Presentation of robust business cases comprising metrics like Net Present Value (NPV), Time to Payback, Value Enhancers and Inhibitors. The final recommendations of suitable enterprise business system included proper justifications and benefits

Business Benefits

- Identified potential revenue increment/cost saving opportunities worth £3.6 million with Net Present Value (NPV) of £2.9 million and a payback period of 2 years and 4 months through implementation of the selected business system
- The re-engineered and optimized business processes, enabled through business system implementation helped the customer on the following grounds with potential revenue/cost advantages:
  - Improved sales forecasting accuracy and enhanced operational planning through a longer planning horizon of customer orders and extended block planning, thus reducing inventory holding levels by 50% and promising the customers "Promised delivery date", while confirming the orders with a potential increase in revenue by £1.46 million
  - Improved quality of waste paper inputs (primary raw material), raw material consumption and vendor performance evaluation, with a potential cost saving of £0.3 million
  - Enhanced machine run-ability (by reduction of unplanned downtimes through a process of condition based asset maintenance), with a potential increase in revenue by £0.44 million
  - Improved finished goods quality through better in-process quality control procedures and hence reduced customer complaints
  - Enhanced production control through a systematic process of tracking and monitoring consumption and costs involved in production and finishing processes
  - Drive down procurement costs through better spend analysis and vendor analysis by £0.75 million
  - Identified better customer/product prioritization and rationalization opportunities, with potential increase in revenue by £0.7 million
  - Improved data accuracy and consistency and operational analysis, resulting in better business performance management with a savings of 1200 man days per year

ITC Infotech's Business Consulting Practice

The Business Consulting Group (BCG) at ITC Infotech is a converging point for business & IT solutions. We aim to transform business performance, bringing a strategic perspective on process improvement and IT enablement. Our team blends domain experts and consultants, bringing unique capabilities to discover and resolve business concerns of the day.

Our expertise spans Consumer Goods, Retail, Process Industry, Logistics & Transportation, across key business functions such as product development, production, supply chain management, sales and marketing management, field force management, and customer relationship management.

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