

Harmonizing Business Processes and PRMS through Re-Alignment and Implementation In Less Than Nine Months

A Case Study of Stoelting

The Foundation

As so often occurs in today's business environment, a manufacturing fabrication corporation purchased a custom machine manufacturing company. Such was the case for Stoelting, a manufacturer of ice cream machines, custom cheese vats and industrial washing machines. As is the case in these instances, steps were then initiated to align, integrate and improve Stoelting's business processes using PRMS, the ERP platform of the new owners. To facilitate this undertaking, Hunter Business Group Inc. (HBG) was chosen to lead this endeavour.

Defining the Business Processes

To accomplish this task, as a first step of the methodology, HBG conducted a short and productive Process Alignment Workshop. The aim of this exercise was to develop an understanding of the effectiveness and efficiencies of key business processes and to develop a plan of action for the process improvements that were identified, an assessment of business risks (and how to mitigate these risks) and opportunities, identification of process owners, determination of their accountability and responsibilities during the overall project and last but not least, to bench mark best practices brought by HBG business consultants using easy to follow templates. Although, this business process review was independent of the ERP/PRMS package that was to be implemented, it was a vital first step in the understanding of the business and business models so that the ERP/PRMS package could be quickly configured to match the newly aligned operational needs of the company.

As a first pass in reviewing the business processes in the areas of Demand Management, Customer Order Fulfillment, Manufacturing Planning, Manufacturing Execution, Performance and Financial Reporting, the process owners came to the following conclusions. One, that they were very effective in

what they did (by this we mean that these processes were needed to run the business) and two, that they were very efficient in doing these processes (meaning the effort required to do these processes was handled in a formal manner, not relying on tribal knowledge and “off the ERP system” technology).

Unique Challenges

The implementation also presented a unique challenge. Stoelting is made of three very unique business units that can be generically classified as one, an “Engineer-to-order” unit, two, a “Make-to-order” unit and three, a “Make-to-stock” unit. Thus, the business processes needed to be aligned to the corporation as a whole and, at the same time, support the practices of the individual business units.

The most common comment made by the process owners was, “we need all of these processes to run the business and we do them very well. We have done so successfully for many years. What we require is to move these processes over, as they are, into the new system.”

Now, no one truly believed the veracity of these comments, so a second pass was undertaken to define and refine the processes.

After numerous challenges to the underlying assumptions of the process owners, a clearer picture of the actual business processes of the company began to appear.

Processes were identified that did not change the content of the information. These processes were “control only” or “check only”. Since these processes added no value to the operation, they became candidates for review, improvement or discontinuance. Similarly, processes were identified that were highly informal or relied on certain people’s tribal knowledge or outside databases such as Excel spreadsheets, to complete. These processes could then be improved by utilizing the improved functionality of the new system and better business practices. Likewise, those processes that were deemed low in both efficiency and effectivity became candidates for discontinuance.

Defining Business Models and Process Improvements

In conjunction with these business process reviews, new business models were developed by the company to better reflect how the company actually did business. The company therefore became better equipped to take advantage of new methods of operation and the enhanced functionalities of the PRMS system to be implemented. The business process improvement process therefore offered a means for the efficient and effective use of the enterprise data. By now defining and understanding their business processes and utilizing the functionalities and database capabilities of the PRMS system, everyone in the company had the ability to see the same real time data. This thus translated into improved customer responsiveness and reduced non-value added activities.

Among the specific opportunities was a very key and far reaching one that came quickly to the surface. The existing actual costing model was inefficient and ineffective, due to the inaccurate and highly allocated (instead of "actual" actual) data generated.

The alignment opportunity became obvious to everyone and a flexible standard costing model was thus implemented as part of the project deliverables.

Another example of the process improvements revolved around the issuance of materials to the job. The existing process called for what the company defined as "drop off". These were the pieces left over from a full sheet of steel after the shearing process was completed. The shop personnel would always go the "drop off " area first to see if a suitable piece was available for use before a full sheet was used. If there were sufficient material in the "drop off" area, then the shop personnel would denote this on the work order as "used drop off". The work order was then forward to the accounting department who basically performed a manual backflush for the Bill of Materials to account for the materials used. As a result of the process review, this process was improved. A separate "drop off" warehouse was defined which was hidden from MRP. This warehouse was also designated as a backflush warehouse. Even though the shop workers still performed the same operations in the shop, the system now would consume the

material as per the Bill of Material and MRP would suggest the purchase of full sheets of steel. This also improved inventory accuracy and decreased transactional time by the accounting staff. In this case, the functionalities of the system and the improved business process exceeded the company's object of improving their overall performance. This was just another instance of many that resulted in Stoelting meeting and surpassing its original objectives.

Real Results and Improvements

At the time of implementation of the new PRMS system, Stoelting had a fully integrated system, which was configured to meet their business needs now and into the future. The redefined business processes met the objective of the company to have the real time data needed to support the business strategy and to move to a lean manufacturing company.

"This review provided the business processes and accurate information we required to support our decision making in all areas of the company. The system now becomes a timely and accurate tool into making sound business decisions," said Larry Wolff, Manufacturing Manager.

This business process improvement initiative and the deployment of a fully configured PRMS (with minimum changes) within a nine-month time frame could not have been done without a sound implementation methodology specially designed to deliver, within budget, the large project scope. HBG's "Process Alignment Methodology" accomplished precisely these objectives.

This process alignment methodology has been a hallmark of Hunter Business Group's success throughout the years.

For more information contact on Hunter Business Group Inc. (HBG) and HBG's total PRMS re-alignment solutions, call 1-800-263-0193, email hunter@ica.net or visit our web site at www.hunter-inc.com.