



BUSINESS VALUE IN MANUFACTURING

**HOW YOU WILL ACHIEVE
BUSINESS VALUE FROM IFS
SOFTWARE IN INDUSTRIAL
MANUFACTURING**

IFS WHITE PAPER
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IFS



PROACTIVITY

TARGET BUSINESS VALUE

MAXIMIZE SOFTWARE VALUE

...YOU WILL GET MORE VALUE OUT OF...SOFTWARE WHEN YOU ENGAGE IN A PROACTIVE BUSINESS VALUE ENGINEERING PLANNING PROCESS AT THE INITIAL STATES OF YOUR PROJECT.

As a software vendor, IFS has always focused intently on delivering real and measurable business value to customers. The software and technology itself is designed to facilitate your business and eliminate non-value added work from existing processes. It can let you take on new business processes or revenue models that you had not been able to previously, like warranty management or aftermarket service contracts. IFS software will help you challenge the status quo—both inside your company and in the market—by innovating faster than your competitors.

But you will get more out of the software when you engage in a proactive business value engineering planning process at the initial stages of your project.

IFS takes this business value engineering approach to ensure alignment between the company's strategy, their business processes and their technology. Companies that don't have that alignment will struggle with their implementation, no matter which software vendor they choose. Understanding the company's initiatives and the obstacles the current state presents to business success can help define the future state and the areas where a business will most rapidly realize potential measurable return on their software investment. When we work with our customer's executives and senior management to understand the company's vision and strategies, we ensure our recommendations are will support the organization now and in the future.

PICKING YOUR BATTLES

- Engineering
- Customer relationship management (CRM)
- Sales order capture and fulfillment
- Supply chain planning
- Procurement
- Manufacturing
- Maintenance
- Finance
- Human resources
- Aftermarket services

That means you must identify the most important business processes where there are gaps between a current and optimal state, and where addressing that gap will result in lower cost, increased revenue or other quantifiable, monetizable outcomes. You may address the entirety of these processes or thinner slices of them you identify as a constraint on your business:

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Sometimes, handoff between these processes must be addressed. Communication with the customer in CRM may result in design changes in engineering that then must be communicated to manufacturing and procurement—otherwise you will be working and acquiring materials based on outdated revisions. Sales orders must take into consideration capacity, which requires information from maintenance and human resources, as well as supply chain planning. It is these combinations of functions that enable design collaboration with your customers or control product information from concept to end of life, so you can profitably deliver on aftermarket service contracts.

WHERE TO BEGIN

FOR ANY BUSINESS PROCESS THAT YOU WOULD LIKE TO TRANSFORM, WE MUST FIRST CONSIDER THE TECHNOLOGY CURRENTLY USED TO MANAGE THAT PROCESS.

CAN WE TRANSFORM THE BUSINESS?

While many software companies loosely use the term “digital transformation,” IFS approaches this as a real business strategy that requires clear thinking and planning. For any business process that you would like to transform, we must first consider the technology currently used to manage that process.

Often, for a given process, we find our customer is using:

- A few different point solutions that may or may not be integrated, requiring part of the process to be completed manually
- Manual work in spreadsheets, even to manage key business processes that would be better handled in a shared system of record
- Manual work on top of an enterprise application



Misaligned or incomplete software systems result in manual work, and we must first align people, process and technology before we can truly consider applying transformational technologies.

The other major question to address is...what problem will transformation be designed to solve? There must be a before state that is measurably suboptimal and a significantly improved state that is not only attainable but will increase revenue, margin, customer satisfaction or create new opportunities for the business.

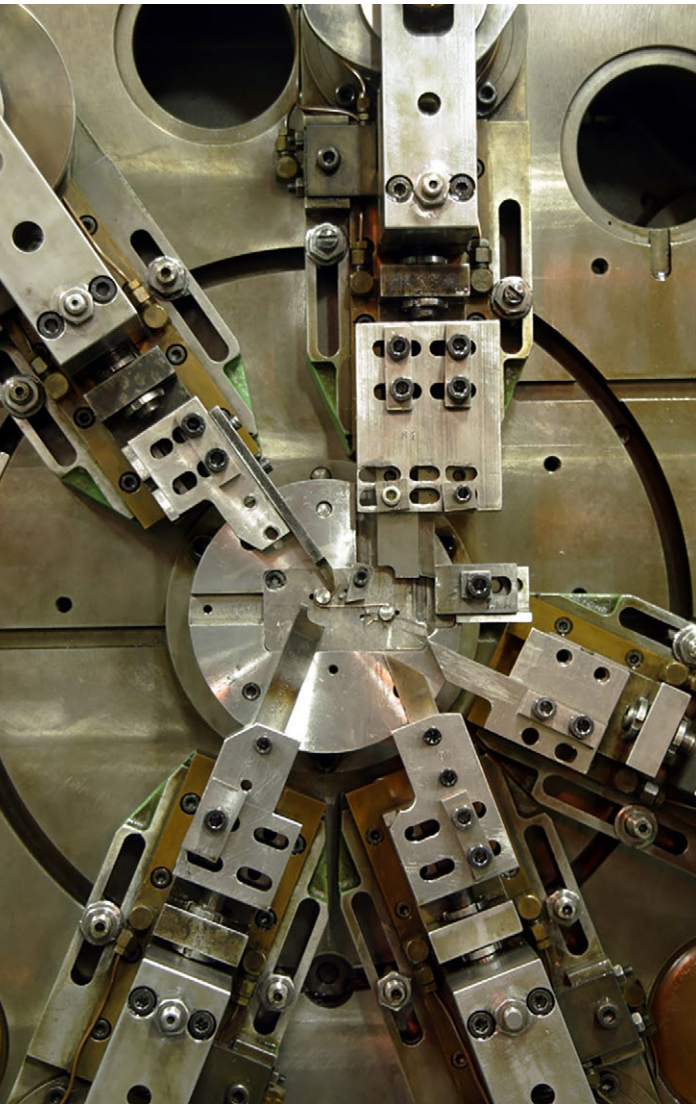
Maybe you are finding it takes you too long to develop new products. And if you were able to address certain constraints, you could you reduce time to market. If so, by how much? We will need to create an impact statement that identifies obstacles to improvement and lays out the benefits of removing those obstacles. Are the resulting benefits likely to be recurrent? Let's say you missed a seasonal launch date that kept you out of the market for an entire year. Does this happen regularly? If not, are there other missed deadlines or windows of opportunity that have resulted in lost orders, dollars or opportunities?

The benefits of solving these problems must be quantified and extrapolated over time if they recur. Apart from product development, which is important for many customers but particularly so for engineer-to-order manufacturers, other potentially recurring impacts include:

- Reduced time from when the order is received and when the product is shipping to the customer
- Reduced inventory cost in finished goods, raw materials and work in progress (WIP)
- Removal of obsolete and duplicate items from forecasts, which frees up capital
- Eliminating duplicate part numbers helps engineering too through improve quality and time to market
- In procurement, reductions in direct and indirect spend and expediting costs
- Increased revenue through better collaboration between sales and operations so you have visibility into capacity and your ability to accept orders that otherwise would be declined
- Improved days sales outstanding because you can invoice the customer quickly, and recognize revenue faster instead of sitting in receivables
- Faster and more efficient sales order capture
- Increased order fill rates, which increase revenue and improve the customer experience
- In finance, faster month-end close which reduces non-value-added work and enables better decisions through analytics
- In human resources, reduced cost per hire and less time to make new employees productive

THE IMPACT STATEMENT

WE WILL NEED TO CREATE AN IMPACT STATEMENT THAT IDENTIFIES OBSTACLES TO IMPROVEMENT AND LAYS OUT THE BENEFITS OF REMOVING THOSE OBSTACLES.



SUPPLY CHAIN HOLDS TREMENDOUS POTENTIAL

The old saying is that criminals rob banks because that's where the money is. And in manufacturing, the money—the fastest way to recoup the cost of a software project—is by driving lean improvements in the supply chain.

That is why we often recommend manufacturing companies start by delving into the potential benefits of deploying IFS software for supply chain management. I have personally worked with companies that were able to generate enough value from their supply chain planning implementation to self fund the remaining implementation of their project. Because many of these savings come in the form of reduced spending on inventory, companies may be able to see a return on this investment in anywhere from 10 and 15 months. Other knock-on benefits of implementation may manifest later, but eliminating duplicate parts, linking materials purchase more tightly to demand and improving supply chain logistics deliver immediate cost benefits.

THE IFS APPROACH

Most consulting approaches to enterprise software and business transformation tackle these challenges from the top down, taking a broad overview of the business. This takes considerable time and resources and rarely results in a practical change program.

IFS prefers to work with our customers, as we plan their software project, to narrow the focus to one true process, or as we call it, a thin slice through your business. We identify a typical end-to-end process and, working with you closely, examine it in detail and then present an assessment.

This approach allows us to understand with a high degree of accuracy the potential for improvement through automation, technology and changing to best practice approaches.

LET'S GET STARTED

Engaging with IFS or one of our certified partners on a business value engineering (BVE) process is the first step towards achieving a structured and rigorous approach to business improvement through enterprise software and technology. We will work with you to understand your company's strategies, identify all the different business processes and technologies that are required to support your initiatives, and the data movements that are required to drive it. From this we construct a TO-BE business and technical landscape, coupled with a Net Present Value cost model. In addition, we will have a healthy discussion around risk. This work allows us to mutually define a potential transformation or change roadmap with confidence.

Contact your IFS representative to find out more.

For more information about IFS, visit www.IFSworld.com.

ABOUT THE AUTHOR

As a senior business architect, Pam Helf leverages business value engineering concepts to help companies develop business cases for change that define the current state, the roadmap to the future and the overall value to the organization of an enterprise software investment. She has more than 25 years of experience in the enterprise software industry with a heavy focus on manufacturing. She pursued studies in business administration at the University of Wisconsin-Oshkosh.

ABOUT IFS

IFS develops and delivers enterprise software for customers around the world who manufacture and distribute goods, maintain assets, and manage service-focused operations. The industry expertise of our people and solutions, together with commitment to our customers, has made us a recognized leader and the most recommended supplier in our sector. Our team of 3,500 employees supports more than 10,000 customers world-wide from a network of local offices and through our growing ecosystem of partners.

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