

Microsoft
Business
Solutions

A man with glasses and a blue shirt is looking intently at a large computer monitor in a factory setting. The monitor displays a technical drawing or blueprint. The background shows industrial machinery and overhead lights.

Manufacturing

TURNING CHANGE INTO Profit

Turning change into **profit**

TABLE OF CONTENTS

How do you turn change to your advantage?	4
Why does flexibility make you more productive?	7
How can collaboration help?	8
Stronger partner and customer loyalty	10
Bibliography	11
For more information	12

This booklet will help you keep your company on an efficient and profitable course.

Over the last decade, new technology has given manufacturers the opportunity to do business in new ways. Manufacturers use technology to meet the increasing demands for customized products, to become more competitive, pursue global business and run business more efficiently. But the faster pace of business requires better responsiveness.

You need to become more flexible and quick to respond in order to succeed in this fast-paced market. But how do you respond to the market and still keep track of your bottom line? How do you improve operational efficiency and increase customer loyalty when it requires constant changes in your production processes? How do you achieve continuous flexibility?

This booklet summarizes Microsoft Business Solutions' view of how today's

manufacturer can win the game. It explains how and why we believe you can use the dynamic market to grow more profitable. It also offers some examples of other manufacturing companies who have become more responsive, and more profitable, with Microsoft Business Solutions.

As you read this booklet, you should keep in mind that continuous flexibility is not something achieved overnight. Optimizing your organization to take advantage of changing conditions is a long-term enterprise. It starts with a diagnosis of your company's overall needs, including how you deal with partners and customers.

As always, you need to focus on your company's strengths. But in order to leverage those strengths, you need the support of a system that helps you respond to a dynamic market.



How do you turn change to your advantage?

Much has changed since 1909 when pioneer manufacturer Henry Ford said: "Any customer can have a car painted any color that he wants so long as it is black." In fact, just in the last decade, manufacturing has changed a great deal.

Supply Chain Management used to be all about efficiency: getting maximum output from your manufacturing operations. Today, the key words are flexibility and speed. In order to be as competitive as possible in today's manufacturing market, you must have **continuous flexibility**. Your company must continually adjust to a volatile market in constant flux.

"Increasing global competition, accelerating technological change, and demanding customers have created a more knowledge-intensive, complex, and

uncertain environment. In response, manufacturers are seeking to increase flexibility," write Qingyu Zhang and Mei Cao in APICS Magazine.¹

When everyone, from decision-makers to partners and customers, has **real-time** access to relevant information, it's easier to reorganize to meet new and changing demands. Decision makers increase operational efficiency by adapting production according to market demand. You become more responsive to the market by working proactively with partners. And you win customer loyalty by offering high quality, not only in customized products, but also in product-related information. (For example, you could help partners develop a new product line, ensuring faster introduction of new products to the market.)

In the past, you could anticipate change. Today the pace and all pervading presence of change requires that you are able to handle the unexpected. You must be able to deal with unanticipated developments such as the dissolution of a distribution channel, or sudden changes in demand. You must achieve continuous flexibility.

CASE IN POINT:

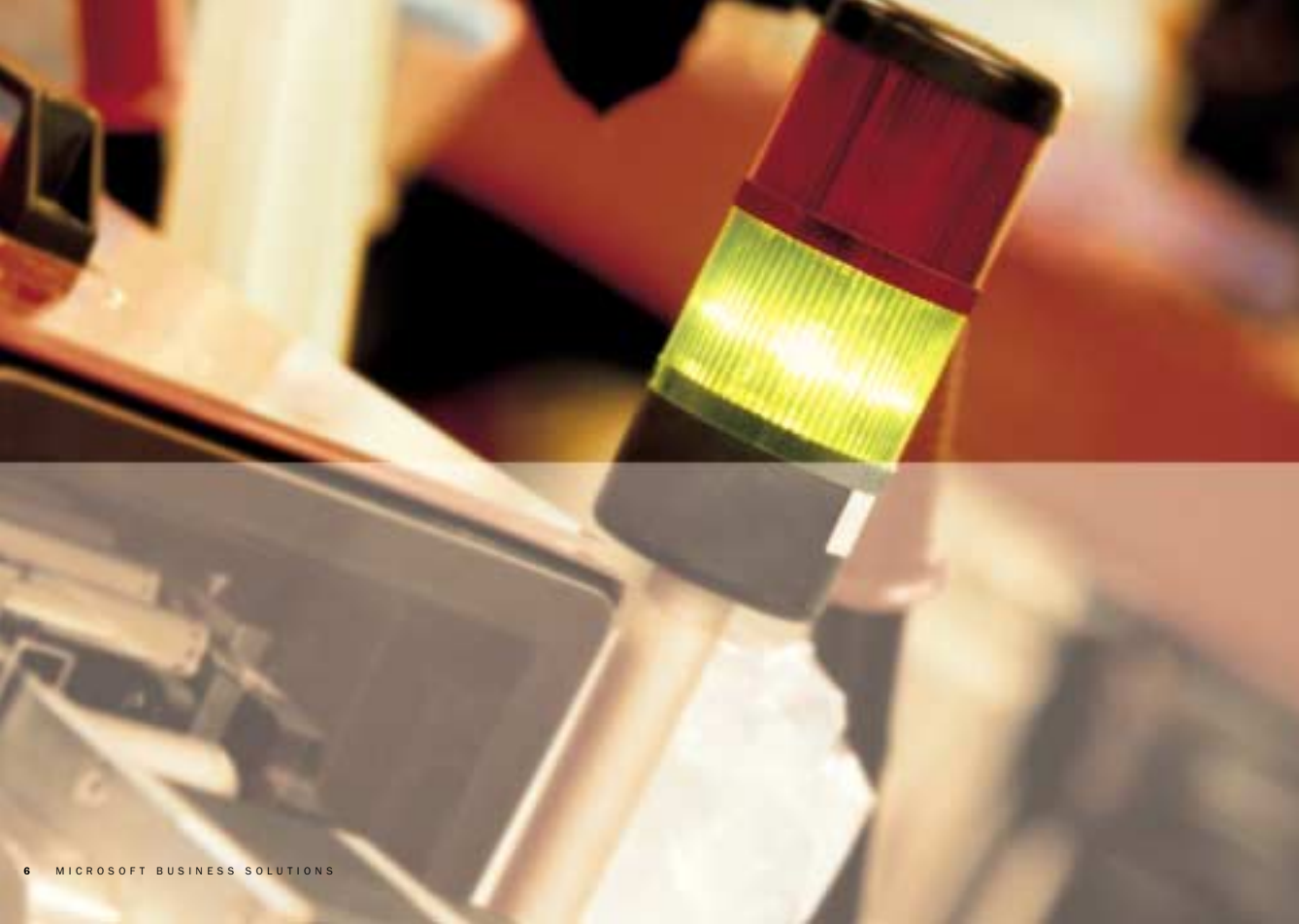
A Microsoft Business Solutions system is helping Caribou Coffee Company, the second largest specialty coffee company in the U.S., to improve order fulfillment accuracy—from 95% to 99.5%, as well as improving their manufacturing and distribution processes. Now, bills of materials (BOM) show individual product component specifications so each BOM accurately reflects its requirements and costs. Inventory is now expressed in real time at both the corporate warehouse and each store. This allows Caribou Coffee to match production more accurately to sales which increases efficiency and saves the company money. Caribou Coffee now has an efficient financial system that offers them greater accuracy and control over their ordering, manufacturing, distribution and financial processes.

Supply Chain Management: Management of the network of parties involved in a supply/demand relationship, which contributes to the movement of materials from supplier through production and to consumer.

Continuous flexibility: The ability to respond rapidly and efficiently to a variety of market demands by optimizing the flow of information within the organization and with partners and customers.

Real-time: Operations that are consistent with human perception of time. For example, when one person posts an invoice in a business software system, and this is instantly reflected throughout the system.





Why does flexibility make you more productive?

Flexible planning increases efficiency.

If there were never any last-minute changes in production or changes in market demand, there would be no need to change production. Manufacturers have, of course, always had to be flexible. But in the past, this flexibility had to do with internal optimization of order handling and the flow of materials. It is now necessary to be continually flexible in order to adjust to fast-changing market demands.

"Management needs to change how they view and serve markets," writes supply chain management consultant R. Michael Donovan. "Yesterday's methods are no longer sufficient, especially for those companies seeking to increase market share. As more and more companies evolve new supply chain models,

management is compelled to take the right actions or risk being left behind."²

Taking the right actions requires **transparency**. Decision makers must have direct access to online information in order to reorganize production to meet new and changing demands, including last-minute changes. Companies need to plan for optimal use of resources and processes based on foreseeable market demand. For example, if you anticipate various product orders that share the same routing, you can plan the production orders together for maximum efficiency.

Transparency helps you meet changes in demand.

It's also important to be prepared to change production processes on-the-fly based on individual customer demand.

If you deal directly with customers in the market, then you must meet their personal requests in order to retain their loyalty. Therefore, the closer your position in the supply chain is to the market, the more you will have to deal with the last-minute changes requested by individual customers.

One way in which manufacturers respond quickly to customer demand is through **Just-in-Time (JIT)** production. JIT depends on collaboration with suppliers to improve demand forecasting and synchronize delivery. This, in turn, helps you reduce inventory and increase the speed of production. There is, however, a down side. Less inventory has repercussions when the unexpected occurs in that there are often no alternative items on stock. This, combined with unexpected changes in customer orders, requires a faster

decision process. You must be able to change production processes quickly (for example, choosing an alternative route when a machine breaks down, or changing **procurement strategy** on certain components from make to buy). Your information must be transparent enough, and your organization flexible enough, to change production processes on the fly. Then, you are able to change your overall production plans based on market demand, and meet the changing individual needs of customers.

Transparency: A level of access to information that allows organizations to coordinate supply chain interaction for maximum efficiency and adapt plans to meet changing market needs.

Just-in-Time: An approach to manufacturing that stresses the benefits of a system, where material is brought to the worksite only when it is needed. To achieve this goal, each operation must be synchronized with those subsequent to it.

Procurement strategy: A structured approach to purchasing decisions, in which relative costs and benefits are weighed when deciding whether to produce in-house, outsource or drop altogether.

How can **collaboration** help?

Transparency within the company helps you achieve continuous flexibility in production planning. Another key factor in optimizing planning is the exchange of information with partners through **supply chain collaboration**.

In order to meet the demands of an increasingly unpredictable market, you must improve collaboration with your partners. You need to produce more varied products. You also need to handle individual orders more effectively, and you need to handle them at a faster pace. The combination of these demands means that you can't do it all yourself. Not only do you have to work more efficiently across departments, but also more proactively with partners. A fast and efficient exchange of information helps you meet the fast-paced demands of the market.

"Internal visibility of critical business information is only the first step in supply

chain optimization," writes Seema Phull.³ "In order to enjoy fully the benefits of internal process optimization, businesses must also address the need for effective and timely inter-enterprise communication with their trading partners."

Respond to opportunity

When you have a smooth exchange of information with partners, it makes your planning more efficient and improves your ability to respond fast to unexpected change. A smooth exchange of up-to-date information allows you to make joint decisions that help you increase flexibility and take advantage of opportunities.

For example, some companies are using XML as the basis for low-cost **Electronic Data Interchange (EDI)** with partners that use different business systems. They receive up-to-date information about supplier inventory, which helps them respond more efficiently to customers. It also gives them real-time information

about customers' needs, which allows them to plan better. If planning reveals that they don't have the in-house capacity to meet customer demand, they can then **outsource** production to one of their partners.

You can also respond to the fast pace of business by collaborating with so-called **virtual organizations**. For example, multiple business entities of different companies can use Web-enabled technology to work together temporarily on launching a new and highly specialized product – without significant investments in R&D, production, and sales.

Quality information increases customer loyalty

Transparency helps you become more flexible in decisionmaking processes, including those made jointly with partners. This in turn contributes to the value you offer to your customers. When everyone in the organization has access to accurate and up-to-date

information, customer service improves. The production manager can determine which orders would be affected by moving a job. Back office employees can respond instantly to customer inquiries regarding order status. And you're always ready to give customers precise information regarding delivery time and price.

Help customers to help themselves

In a recent book about gaining profit from the supply chain, David Bovet and Joseph Martha write about what they call the value net: "A traditional supply chain is designed to meet customer demand with a fixed product line, relatively undifferentiated, one-size-fits-all output, and average service for average customers. A value net views every customer as unique."⁴

You can profit from the supply chain by passing on personalized information to your customers. Today, many companies are offering their customers online self-

service, where they can, for example, make and configure orders and check the progress of their orders. Companies have begun to use **portals** to give their vendors, employees and customers access to personalized information and features that match their specific needs and tasks.

Online access can help you earn customer loyalty. You offer them accurate, up-to-date information and visibility through the supply chain. By making your information an asset to your customers, you can turn your unique knowledge and experience into a powerful competitive advantage.

CASE IN POINT:

Microsoft Business Solutions has helped **Maax Spas**, a manufacturer of hot tubs and spas, improve customer service by allowing dealers to view real-time inventory information. Now we and our dealers have the ability to understand where the spas are at, says Bill Conati, manager of information systems. "The dealer has the ability to pick up a pocket PC and look at our available inventory in real time."

Supply Chain Collaboration (SCC): Optimizing the flow of information and self-service capabilities through automation and interaction with partners and customers.

EDI: The electronic transfer of data, often between two companies using different systems.

Outsource: To service or produce from an outside supplier or manufacturer in order to cut costs.

Virtual organizations: Working groups of employees from different companies that collaborate on a specific job, but then disband after the job is done.

Portals: Collaborative solutions that use the Internet to offer self-service interaction and access to information for business partners and customers via the Internet.



Stronger partner and customer loyalty

In order to improve operational efficiency and increase customer loyalty in a complex and intense marketplace, you need to achieve continuous flexibility. Everyone in your organization must have access to real-time information that adds value to their work. You must use your business information to become more flexible in terms of production planning, integration of work processes with business partners, and customer service.

Continuous flexibility helps you work more efficiently within your organization and with partners and customers. You adapt your overall production plans to actual demand and satisfy the changing individual needs of customers.

You match the fast pace of the market by way of an efficient exchange of information with partners. And you leverage your unique competence by offering customers online access to valuable information.

Whether you work in the offices of top management, do business with vendors or deal directly with the customer, you have an overview of business as well as detailed insight into the company's product and financial information. You make the most of your company's strengths, work more efficiently with partners and earn customer loyalty.



Microsoft Business Solutions

HELPS YOU MAKE MORE **Profitable** DECISIONS

Microsoft Business Solutions gives you insight that helps you make more profitable decisions.

Our business management software puts you in touch with information from every corner of your business, and lets you analyze it in any way.

Pick the functionality you need, and a specially trained Microsoft Business Solutions partner will fit it to your business.

You'll get information from every corner of your business, which will help you:

- Completely automate your purchases and sales with key customers and vendors – without having to implement a complex EDI system.
- Give your customers, vendors, employees and partners access to self-service – 24 hours a day from anywhere in the world.
- Easily meet the demands of important customers or vendors for collaboration, including outsourcing and working together as virtual organizations.



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Microsoft Business Solutions brings together information from every corner of your company and lets you analyze it any way you choose.

FOR MORE INFORMATION

Microsoft Business Solutions helps you make more profitable decisions. You work smarter because your solution is tailored to the way you do business. You work faster because you have immediate access to information from all around your company. You can count on us for long-term support as your needs change and your business grows. More than a quarter of a million companies rely on Microsoft Business Solutions for profitable ideas. Find out how we can help you.

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