



CASE STUDY

A FLEXIBLE SOLUTION

A major business reorganisation often means a significant investment in new IT. However, for the Furniture Factory, not only was its SYSPRO ERP system flexible enough to be easily re-integrated into a new business structure, but the change process provided the ideal opportunity for a system upgrade.

One of the UK's largest producers of flat pack office and home furniture, The Furniture Factory operates through five separate manufacturing operations and employs 450 people. Its key customers include IKEA, MFI, Argos, Littlewoods and Staples.

Over the past few years the Furniture Factory has experienced a significant shift in its business environment. In particular, 'mail order' operations, which have increasingly adopted a direct shipping policy, have become a major portion of its overall customer base. As a result, the company has found itself operating two completely different businesses. Whilst traditional customers still place forecast orders on a six to eight week lead time, and maintain their own stocks, the 'mail order' operations now place individual orders directly on the Furniture Factory, with the requirement that it dispatches the required goods straight to the 'end customer' within a few days.

Initially, to help meet these major changes in practice, and the need to reduce lead times and manage stocks for the necessary rapid response, a number of the Furniture Factory's operations implemented revised production strategies. However, to further improve the effectiveness of the business, the company has also implemented a much broader change strategy, and this has culminated in a complete decentralisation programme.

Until recently, the Furniture Factory was organised around a head office which not only provided the strategic management and the core accountancy functions for the whole business, but also managed all the customer interactions. Now the company has transferred much of the operational and management responsibilities down to the manufacturing sites, and set up independent businesses. Two of its manufacturing

operations, which are mutually dependant, have been formed into a single business unit, while the remaining three manufacturing units have been grouped into a separate division.

As the company's IT manager Rob Fabian, explains, *"While centralisation was an efficient set up for the old business environment, we realised that the new demands meant that we needed to move our production operations much closer to their customers. This is what we have now achieved."* But, he adds, *this re-organisation been far from just a 'paper exercise', as all the changes in roles and responsibilities have had to be reflected in the company's processes and its core ERP system."*

This has been no small accomplishment, as previously, the head office received all the sales orders, often through EDI links, determined the new 'top level' production requirements, and then placed orders on the manufacturing sites. These in turn would 'sell' the finished goods back to the head office and send them to the central warehousing operation, from which the head office would manage dispatch and invoicing. Now the new independent businesses manage all the transactional processes themselves, from sales order onwards, and even maintain their own day to day accountancy.

Not only has this meant introducing new system functionality and procedures to the various sites, but a whole range of new information transfer systems have had to be established and integrated. For example, integrated EDI links have been installed at the manufacturing sites. Also, while the three factories, which have been grouped into a division, run their operations individually using their own systems, they can now look at each others data and transfer information through ISDN links. Finally, the business unit that has been formed by two factories, now operates through one system running over a Virtual Private Network.

Fortunately, says Fabian, *"An unanticipated benefit from having the SYSPRO ERP system, has been its flexibility. As a result of this, and the system's ease of use, the task of making all the necessary changes - rapidly introducing new system functionality and processes where needed has not required any new major system investment or consultancy."*

In fact, he adds, *"In December 2001 we were a centralised business, with the head office at the heart of every transaction. By March 2002, we had two separate business operations, and we had managed to transfer all the necessary functionality down to the manufacturing sites. The fact that we have been able to undertake this re-organisation so rapidly, and the relative lack of disruption to the systems despite the major changes involved, have been major factors in enabling this rapid change programme to succeed."*

Key Functionality

Originally introduced two years ago, the SYSPRO system, from Manchester based enterprise business systems specialist McGuffie Brunton, had been brought in to replace a collection of various off the shelf and bespoke systems and databases. Overall, the initial company-wide implementation, of 32 seats, had provided each of the company's sites with its own independent system, running on a Windows NT client server network. While the head office maintained the financials and SOP systems, which were integrated with the EDI systems that the company already operated with its main customers, each of the manufacturing sites used their systems - which were linked to the head office system - to control their own purchasing, manufacturing and dispatch to the central warehouse.

"The introduction of this fully integrated sales, manufacturing, distribution and financial system, brought major benefits from the start," notes Fabian. "It significantly improved the co-ordination and control of the various processes, including sales order processing where we can have up to 1000 orders coming in every day via EDI. The system also brought standardisation and data commonality across all our operations to key business functions - from stock control to accounts. This gave us the ability to easily bring together the information from each operation and so significantly help in the management of the company as a whole."

Moreover the company has some novel issues that complicate the sales, production and distribution processes, and the SYSPRO system provided the sales ordering and BOM functionality to meet these particular needs. For example, the company sells individual products and 'sets', such as a bedroom set, and both the individual items and the sets have their own product codes. However, it is essential that when a customer orders a set the system not only records the sale of a set, but also links the set's product code - through the BOM - to the product codes of the individual items that make up the set, and so de-stocks the necessary individual items.

"For us this was an obvious requirement," reports Fabian, "But, a number of the systems we initially reviewed could not manage this type of requirement, whereby the sale of a top level code actually requires the de-stocking of other top level codes."

Similarly, when it comes to raw materials, the company again has some very complex BOM issues, which SYSPRO is able to manage. The main construction material, from which the main furniture parts are cut, is bought in a variety of different sized panels. It therefore depends on how

many of a particular product - or similar products - have been ordered as to which size board is used. And, while the company has developed an optimisation programme to determine the right board for the job, this information has to be reflected in the BOM, and WIP systems.

Virtual Business

Since the business re-organisation, and despite the significant changes involved, SYSPRO has been readily adapted to meet the needs of the new organisation. In fact, in one major instance the company has gone even further, and used the re-organisation to make a major process and IT enhancement.

The two factory sites which have now been formed into an autonomous operating business were always closely linked, in terms of product; one site cuts and packs furniture, while the other produces all metal components required for this furniture. However, in the past - operating as two separate factories - the relationship remained a typical customer and supplier arrangement, involving the placing of purchase orders on the metal fabricator, and the subsequent routine of sales transactions, production scheduling, dispatching and invoicing.

To overcome this situation, and ensure that the new business now acts as one, even though it remains split geographically, a new single system - and upgrade to SYSPRO 5.0 - has been implemented through which both sites now operate over a secure Virtual Private Network (VPN). The main site of the two - the furniture manufacturer - now hosts the system, and manages the financials and the SOP functions, but the other site has direct access to the system and all the data. As a result, management at the metal fabricator can immediately see new sales orders, any new works orders generated and the overall product production schedule, and from this develop its own work schedules. Completed components are shipped to the main site, as before but now this transfer of components is simply recorded through a transfer between warehouses, using SYSPRO's multi warehouse facility.

As regards the actual network connection, the company initially considered a number of options, including ADSL, but neither site is in a location served by this broadband network. It also looked at a satellite link. But, while good for the rapid transfer of large amounts of data, the inherent time delay in sending and receiving a signal means that this approach was just not compatible for a live management system, which requires continual short bursts of data transmission. Therefore, the leased line approach, which is run through the internet via NetPilots at each site, was selected.

As Fabian states, *"Although it costs around £6,000 per year for a 256k line*

the VPN has proved the right solution. It has already been noted that staff are finding that the response times over the connection seem as fast as when they operated the old system over a local network - although this is in part due to running an upgraded system. More importantly, running the two sites as a single operation has already generated significant process improvements and benefits. Administration costs have been cut dramatically, and now that the sites are sharing the same data there has been noticeable improvements in efficiency and reduced errors."

Overall, he concludes, "The whole change programme throughout the Furniture Factory has seen the business become more customer focused, and be in a much better position to deal with the major changes occurring in the marketplace. The SYSPRO system has played a big part in enabling this."