Enabling High Performance:
SAP for Industrial Manufacturing
The industrial manufacturing industry confronts multiple challenges, from creating global growth models that will ensure differentiated products and services for its customers, to maintaining margins in the face of rapidly rising costs and pricing pressures. It is how they respond to these challenges that separates the high-performance businesses from their competitors in this market space.

According to Accenture’s extensive research into the constituents of high performance in industrial manufacturing, high-performance businesses derive over half their revenues outside their home countries and source up to 35 percent of production materials from low-cost regions.

In addition, relative to their peers, high-performance businesses:

- Return twice as much to shareholders
- Manage their operations with half the working capital
- Earn nearly five points more margin
- Grow revenue six times faster
- Return six more points on invested capital
- Invest 13 percent more in R&D (as a percentage of revenue)
- Achieve double-digit growth in cash flow – which has been negative for peers

Maintaining high performance demands global flexibility, innovation and pricing power, productivity that goes beyond cost containment and a focus on the performance of people.

A successful enterprise system can help enable all of these competencies – from the common global operating model that provides quality, consistency and predictability across the global supply chain, to the financial and capital market efficiencies that boost productivity.

Indeed, because they can so dramatically improve decision-making processes of all kinds, the enabling technologies that underpin Enterprise Resource Planning (ERP) system implementations can serve as the foundation of industrial high performance.

Yet a recent Accenture survey of 163 organizations worldwide found that more than half fail to achieve the targeted benefits due to improper implementation. And one-third simply don’t actively track the benefits that they do achieve.

High-performance businesses, by contrast, take a holistic approach from the start. By setting out with the end result in mind, they build a
strong foundation and develop clear thinking about what actually delivers value and high performance.

High performance is achieved by the consistent alignment of organization, processes and IT applications with business strategy and vision. Typically, 80 percent of value potential resides in business process improvements through harmonization and integration, 20 percent in IT cost reduction.

By leveraging industry-leading practices in combination with an SAP solution, Accenture can help clients successfully integrate the key capabilities of a high-performance business strategy. Accenture’s approach aligns business strategy and vision with organization, processes and applications.

Accenture’s SAP for Industrial Manufacturing asset quickly identifies key value areas and capabilities needed to achieve high performance, leverages documented leading practices specific to industrial manufacturing, and links these capabilities and practices to workable solutions within SAP.

By cutting design time almost in half, the asset accelerates implementation. It also reduces risk because it uses proven functional and technical solutions and program management tools. Moreover, by building the right solution the first time around, the asset lowers ongoing maintenance costs.

KSB: Re-engineering

Accenture enabled pump and valve manufacturer KSB to improve, streamline and optimize its business processes in addition to implementing SAP R/3. KSB now outperforms its peers and has outsourced its application management to Accenture as part of its drive to achieve high performance.

Accenture teamed with KSB to define a new operational strategy and reengineer a number of critical processes, including sales. In phase one of the project, the Accenture team implemented a customer relationship management tool and SAP R/3 modules for sales, controlling, finance and procurement.

In the second phase of work, Accenture focused on optimizing processes—and implementing SAP modules—related to production, scheduling, planning, HR, product configuration and product data management. Based on the success of the SAP deployment, KSB asked Accenture to provide application management services on an outsourced basis.
Key components of the SAP for Industrial Manufacturing asset include:

- **Value targeting and business case materials** including modeling tools and templates

- **Industry-leading practices and process detail** including a repository with industrial-leading practices and a process model that encompasses make-to-stock to engineer-to-order industrial companies

- **SAP solutions** including a comprehensive list of over 2000 industrial requirements along with corresponding SAP solutions

- **A detailed execution guide** providing step-by-step instructions for how to execute a blueprint and implementation phases

- **Pre-delivered content** that represents all deliverables for a typical implementation, including designs and position papers on key business process decisions

- **A working SAP system** to demonstrate leading industrial manufacturing solutions and provide a template for client solutions.

The asset covers all critical functions within a typical industrial manufacturing company, from supply chain planning and execution through manufacturing and product management, sales and distribution to finance.
Siemens: Enhancing Customer Service

Working with Accenture, Siemens Power Generation Group created a customer-centric service process strategy and operating model that was focused on delivering value and underpinned by an SAP solution.

The team created an SAP-based order management "backbone" system to support the new operating model in North and South America. The system, which handles order management, purchasing, inventory management, shipping and more, implements innovative "no-touch" transaction processing. Once an order for a part is entered into the SAP system, it is automatically sourced directly to its destination – whether supplier, factory or warehouse.

Accenture also partnered with Siemens to develop innovative models to enhance the forecast accuracy for combustion turbine parts and ensure the availability of spare parts to meet future customer demand.
The SAP for Industrial Manufacturing asset provides solutions for the following key industrial manufacturing business requirements:

**Product Management**
- Streamlines the process for introducing new products
- Integrates management of product data and engineering change control
- Incorporates engineering and supply chain processes
- Processes automation using workflow for complex data structures

**Supply Chain Planning**
- Fully integrates, end-to-end planning processes from forecasting to MRP across the enterprise
- Enhances the ability to understand and respond to demand variability and demand-mix changes through improved forecasting capabilities
- Improves plant and network asset utilization using network capacity modeling
- Provides a robust supply chain management process that uses comprehensive Sales & Operations Planning design and tools

**Supply Chain Execution**
- Effectively manages global suppliers
- Improves pricing controls by utilizing long-term contracts, scheduling agreements, and vendor information records across the enterprise
- Reduces freight costs and optimizes receiving functions by integrating inbound transportation
- Augments supplier collaboration capabilities
- Enhances supplier relation management enabling e-cataloging and improved compliance
- Improves quality, price and delivery performance using supplier scorecards

**Manufacturing**
- Enables both lean and traditional manufacturing strategies through production scheduling and MRP processes
- Fully integrates inventory management processes and data
- Utilizes slotting (cycle rates) for assembly line scheduling
- Executes production for configurable final and subassemblies and make-to-stock fabrication
- Provides preventive, corrective and planned maintenance scheduling and execution
- Integrates plant maintenance process for production, inventory, and finance modules
- Incorporates packaging management to streamline identification and packaging operations

**Sales and Distribution**
- Provides unit serial level status for quote, order, production, shipping, invoicing and transportation steps
- Presents inventory visibility for end customers and dealers for finished goods at unit serial level across the internal and external network
- Offers self-service capabilities for dealers and end customers for quoting, ordering and printing
- Uses market-driven pricing at option levels (engineer-to-order, configure-to-order) with standard customer and deal-maker discounts
- Provides a quick turnaround for engineer-to-order quotes by providing reusability tools from previously engineered items
- Grants inventory control and visibility utilizing RF handhelds on the warehouse and production floor
- Effectively manages the work queue and provides real-time process monitoring

**Finance**
- Consolidates enterprise financial reporting globally across multiple companies with multiple finance applications
- Supplies product costing (cradle-to-grave) and profitability analysis at serial unit or product level
CSR: Standardizing Legacy Systems

After a number of acquisitions, CSR Building Products, one of three divisions of Australian conglomerate CSR, recognized that it would have to seize control of its supply chain at the information level and unify its systems by streamlining processes across the business. The company teamed with Accenture to develop a scalable SAP solution that could be successfully used within its Building Products and Corporate business units as well as provide frontline support to its many trade/retail outlets.

CSR and Accenture rolled out successive stages of SAP modules across different geographies and divisions in the areas of finance, purchasing, sales, materials, management and maintenance over an 18-month period. Different legacy systems were transformed into an integrated and scalable solution that is delivering significant business and operational improvements.

The successful introduction of common business processes through SAP has not only made it easier for CSR business units to work with each, their suppliers and buyers. It also has generated staffing and inventory reduction opportunities. Indeed, SAP Australia judged the implementation the best R/3 SAP implementation in Australia and New Zealand for 2002.

The keys to long-term success are clear business goals and a successful start with the blueprint phase, followed by a well-executed implementation that delivers the key capabilities required by the business. With Accenture’s pioneering SAP for Industrial Manufacturing asset, companies can implement an SAP solution that delivers sustained value at reduced cost with lower risk – something no other systems integrator can offer.

To find out more about Accenture’s SAP for Industrial Manufacturing, please contact:

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