
SAP Manufacturing Success

CHAPTER 2: MONEY & FINANCE



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Introduction

34% of Accelerators cite growth as being important and seek to grow at a faster rate than their competitors more so than Stabilisers (66%) who seek to grow in line with their competitors.

When it comes to managing finances, manufacturers, like most UK businesses at this time, are focused on keeping their heads above the water. In the latest chapter of the SAP Manufacturing Success campaign, we explore how effective use of analytic and Business Process Management (BPM) tools can help manufacturers to plan ahead whilst enhancing ROI.

According to the SAP Manufacturing Success research, over half of UK manufacturers (55%) consider controlling costs as a key challenge in managing finances within their organisation. This is followed by the need to maintain healthy margins, something that resonates more strongly with Accelerators, who cite growth as being important and who seek to grow at a faster rate than their competitors / the industry standard more so than Stabilisers who seek to grow in line with their competitors.

With the need to cut costs across the entire supply chain, pressure is mounting on the manufacturing sector. In order to better manage this situation, companies require the ability to effectively plan in advance. However, worryingly, 40% of businesses are only able to plan up to a year ahead. This is particularly the case for SMEs (50%) rather than enterprises (29%). In order to effectively plan further into the future and better manage this financial challenge, companies require the right tools to have greater visibility of their business.

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As it stands, only 1 in 3 (32%) organisations claim they have an “excellent” level of visibility or insight into opportunities for growth. Accelerators currently have greater visibility over their business prospects, with just under half (45%) claiming to have “excellent” insight into the opportunities for growth. It is with this greater visibility that companies can start managing their business operations more effectively and start looking further ahead for new opportunities to grow and diversify.

Similarly Accelerators, with their greater visibility of growth opportunities, are more likely to be able to plan more than a year in advance (68%) compared to Stabilisers (54%). Businesses understand the need to change processes and innovate if they are to compete effectively in a challenging and complex market, yet this task is made more difficult if companies lack the visibility and insight they need to effectively plan. Recent findings from The BDRC SME Finance Monitor go some way towards amplifying these sentiments among UK manufacturers. The survey of 5,000 companies, including manufacturers, revealed that SMEs were increasingly choosing not to access external finance, which represented a clear drag on growth.

EEF Senior Economist Andrew Johnson said the industry body continues to call for a more dynamic and diverse finance environment for SMEs; “because so much SME finance goes through banks, and is likely to do so for the foreseeable future, policy needs to include a strong element of enhancing SME banking. The government should look hard at the state of competition in SME banking in the UK. It should launch a focused review on what more can be done to stimulate a more dynamic SME banking sector, and think about how best the proposed Business Bank could focus on competition in SME banking.”

The need to plan ahead

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**EEF Chief Economist
Lee Hopley**

In response to the debate EEF, the manufacturers' organisation is calling on all sides of the debate to act to address mounting uncertainty surrounding the government's possible response, and take steps to limit any consequences on much needed business investment growth.

EEF Chief Economist Lee Hopley said, "It's understandable that the public are concerned about corporate tax avoidance because there are areas that do need reform, particularly in the area of international taxation. But in the contest to out companies for not paying their fair share we are losing sight of the key issue — creating the right environment to get industry investing and growing in the UK. Attempts to restore confidence in the tax system could come at the cost of damaging confidence in the UK."

The manufacturing sector is trade and investment-intensive and companies need every encouragement to invest here in the UK, particularly as nearly half the investment in UK manufacturing comes from foreign-owned companies.

Despite the current economic climate, the outlook for UK manufacturing appears to be brightening, according to a new study published by employers' organisation, the CBI. In its latest monthly Industrial Trends Survey, the CBI said manufacturers expected strong output growth in the next three months.

Stephen Gifford, the CBI's director of economics, said manufacturers were optimistic that demand would pick up in the next three months, despite a recent history of disappointed expectations.

"This tallies with what we're hearing from some businesses about confidence returning. With orders improving and the global economy heading for calmer waters, it looks like conditions for manufacturers may be on the up.



Analytics

Manufacturers are evaluating analytics applications as they look to collaborate from a supply chain, distribution and services standpoint.

Alongside these positive economic strides, manufacturers are evaluating analytics applications as they look to collaborate from a supply chain, distribution and services standpoint. MintJutras is a company that has explored this topic in more detail, having conducted research which looks at SaaS adoption in manufacturing.

Cindy Jutras, founder and CEO explains one industry trend in capturing and applying company-wide intelligence and knowledge through the use of analytics, business intelligence (BI), and rules engines.

These are especially relevant for manufacturers who rely on build-to-order, configure-to-order and engineer-to-order strategies as a core part of their business models, using cloud-based platforms to capture knowledge and manage rules is accelerating. A key part of this area is mobility support for analytics, BI and rules engine reporting and analysis.

Linking to this, CIO UK in association with Intel recently announced the findings of the CIO Priorities survey. CIOs expect the cloud to overtake mobile developments as the second largest driver of transformation at their organisations behind data analytics.

Almost half of the respondents said that data analytics had driven the most transformation at their organisations to date followed by mobile, but that cloud computing was expected to become the second biggest transformation driver over the coming year as increasing efficiency and reducing cost become the leading priorities.



The value of BPM

At a time when speed-to-market is imperative, BPM and integration solutions can help manufacturers and their IT departments efficiently model, implement, integrate, and monitor processes.

In today's dynamic industry landscape where customer, supplier and partner needs are constantly changing, Business Process Management solutions are ideally placed to reduce the cost of process development and deployment for manufacturers.

What's more, at a time when speed-to-market is imperative, BPM and integration solutions can help manufacturers and their IT departments efficiently model, implement, integrate, and monitor processes.

Industry research from the Capgemini report entitled 'Business Process Management in Manufacturing: From Process to Value' highlights how organisations can move to the next level of BPM maturity.

As manufacturing companies emerge from the economic slowdown, they are looking for topline growth opportunities while still maintaining control over costs. BPM is a powerful approach to deal with these issues. BPM aims to improve and optimise the business processes of an organisation, supported by Business Process Management Technology (BPMT). BPM can help companies address global competitive challenges and economic pressures; enabling them to reduce costs and improve the value they create as well as their speed-to-market.

Grupo Nutresa was able to see demonstrable planning benefits from successful implementation of SAP solutions.

In the past, each division of the company used its own data management model resulting in very complex data integration processes. With SAP solutions, not only are processes being streamlined within the meat business, the group is better synchronized as a whole.

This unified management and accounting model ensures reliable information is being passed to the production line, which enables product traceability across the supply chain. The key benefits of this was reduction in incomplete product deliveries, reliable data for better decision making and more accurate forecasting and increased production efficiency.

Conclusion

Visibility is core to identifying opportunities for innovation, particularly where value chains are concerned. Yet many manufacturers are unable to plan beyond the short-term, are not prioritising customer insight and lack the confidence to know where to innovate.

The vast potential within joined-up manufacturing networks is only possible if these networks are “open” and companies are prepared to embrace collaboration and co-creation moving forwards.

“Smart planning, forecasting, and clear visibility into operations and finances are essential to the success of today’s manufacturers. The current landscape means companies need to keep abreast of industry and ensure speed-to-market when it comes to planning. As part of this, manufacturers need to establish and promote a top-down culture of collaboration and planning. Those who do, will be best placed to react to the changing needs of customers,” said John Hammann, Industry Principal for Manufacturing, SAP UK.



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