



## FIVE Challenges for Managers of Mid-Sized Manufacturing Companies

The forecast for the current financial year is for continued economic and exchange rate volatility as a result of global events and some possibility in a rise in the cost of credit.

This article examines five challenges that may result from this environment faced by managers of manufacturing companies.

### Challenge 1:

#### Remain Profitable with Fluctuating Raw Material Costs and Margins

Understanding the true cost per transaction of doing business means identifying all contributing cost elements -- direct and indirect -- across the entire organization. These include not only the cost efficiency of operational activities and their interrelationships, but also the time spent on manual and redundant processes, reconciliations, paperwork and reporting, as well as the

cost of lost opportunities from a lack of agility in responding to the global marketplace. Ideally, managers should view production scheduling with what-if sequencing and scheduling tools to respond quickly to changes in demand.

#### Possible Actions:

- Manufacturers should consider whether they have enough integrated visibility to accounting, distribution and manufacturing operations to easily identify and “track cost” elements and target areas of waste for improvement.
- Labor intensive and time consuming processes, such as operational-to-financial reconciliations and communicating with trading partners can be automated with an enterprise system.
- Enterprise Resource Planning (ERP) tools such as “Work-In-Progress” should enable evaluation of detailed actual-versus-expected costs, as well as targets for cost savings and continuous improvement programs.

## Challenge 2:

### Manage Imports of Raw Materials

Tight control and tracking of raw material purchases from foreign suppliers is essential for an accurate picture of the costs of your imported goods. One control would be to set up approved, preferred and alternate suppliers, and specify standard purchase lead times to measure actual "delivery". Synchronizing supply with customer demand is another key requirement to prevent costly line stoppages in assembly plants. This involves not only automating order processing and other processes in the supply chain, but also executing production plans using LEAN principles.

#### Possible Actions:

- Manufacturers could consider using an ERP "Blanket Purchase Order" facility to enable pricing to be specified for an agreed quantity of product, as well as to track actual call-off deliveries against contract.
- Tools such as "Requirements Planning" and "Factory Scheduling" allow manufacturers to implement LEAN principles, manage the replenishment process and ensure contract service levels are met.
- Enterprise software systems such as SYSPRO enable you to hedge against unpredictable supply of long-lead-time items through the use of minimum and safety stock levels, as well as flexible order policies. These include facilities for calculating what you need and when you need it, taking into account, demand and supply, lead times, current inventory levels and order policies.

## Challenge 3:

### Cash Flow

The effective prediction and management of cash flow requirements depends on access to reliable accurate data visibility from across the organisation because every action within a business has a flow-on effect. It is essential to have systems that can provide detailed data and tools enabling visibility into what cash is due for payment or collection, and when.

A good forecast should include "what if" analyses. These allow manufacturers to explore the cash flow implications of business actions such as a new contract, a reduction in inventory or an increase in energy costs.

#### Possible Actions:

- Although spreadsheets can help with some of the analysis, these still require an amount of manual effort. A more effective solution may be to use an ERP system that captures all of this data on an on-going basis for your business requirements.
- "Accounts Receivable" forecasts should reflect how different customers pay on different terms and include information such as the average number of days each customer takes to pay.
- "Accounts Payable" data is not just about invoiced purchases. Manufacturers should look at supplier terms, unapproved invoices and purchase receipts not yet invoiced by suppliers. Consider including projections of the value committed to outstanding orders.

## Challenge 4:

### Strategic Positioning from Better Information

Manufacturers should seek to identify possible market trends, as well as opportunities to up-sell, cross-sell and create value-added services that can help grow a business.

These decisions can be made from getting improved information across the organization and extracting regular KPI, financial and operational information, from "Executive Dashboards".

Sales Analysis, based on seasonal, cyclical and trend demand patterns in sales history, can enable better planning of production and purchasing to meet these requirements.

#### Possible actions:

- Manufacturers should check for the business intelligence tools that may come with their enterprise software. They offer constantly updated self-service reports and highly visual access to key performance data that will keep your organization's managers informed, without draining finance department resources.

- “Financial Ratios” can provide an at-a-glance assessment of the financial health of an organization allowing real-time monitoring for effective decision making.
- Enterprise software such as SYSPRO gives you inventory forecasting tools. These include Pareto analysis features to identify fast, slow and obsolete items in terms of sales value, gross profit, cost of sales, quantities sold or hits, so you can make decisions about which items to forecast, and the best method to use for each.
- SYSPRO’s Forecasting module provides tools to track and evaluate forecasts, as well as to identify the possible causes of forecast errors. These tools also assist in optimizing forecasts to produce the best possible outcome with minimum forecast error.

## Challenge 5:

### Improve Time to Market

Constant innovation and delivering Constant innovation and delivering quickly to the market is imperative to remaining competitive and profitable.

One challenge for manufacturers is to streamline and track the changes to product designs and costings, as well as to improve the delivery of customer-driven product designs and configurations.

Enterprise software can offer a “Product Configurator” function, to rapidly generate accurate product specifications for highly customizable products – this reduces lead times and improves the speed and accuracy of order processing in configure-to-order environments.

Product Configurators also allow the automatic generation of factory orders and purchase orders, and incorporate relevant detail such as materials and operations required to make or assemble the correct customer-specific configuration of the product. It takes away the need for manual input or additional bills of materials to cover all product permutations and drastically reduces the margin for input errors. There is also the advantage of saving new permutations for future orders to recall at order entry time.

### Possible actions:

- Solutions that can import customer design data such as drawings and CAD specifications into their enterprise system.
- “Factory Scheduling” to quote accurate lead times and delivery dates based on capacity and existing loads. Once a quote is accepted by the customer, the conversion to a factory order is a simple automated process.
- An “Engineering Change Control” (ECC) function enables manufacturers to apply control and uniformity over your design-to-market processes by providing a rules-based electronic workflow system with version control, security and auditable history. ECC gives you the tools to record and track product design and process changes, assess the impact of these changes on costs and associated data, and control the change routing and approval processes.

### What Should You Do Next?

SYSPRO Software gives manufacturers the flexibility and agility needed to remain competitive in a changing marketplace. Today, suppliers are under increasing pressure to meet customer driven deadlines, configure products to order, manage inventory and run the shop floor efficiently against the backdrop of changing business models and an uncertain economic climate.

SYSPRO provides essential integrated visibility to your accounting, distribution and manufacturing operations, enabling you to easily identify and track your cost elements and target areas of waste for improvement programs. It automates many processes that are traditionally labor-intensive and time-consuming, such as operational-to-financial reconciliations and communicating with trading partners. Choose from around 50 software modules to create an integrated manufacturing, distribution and financial management solution. SYSPRO’s wide selection of functions enables the tailoring of solutions specific to the needs of individual companies.