



Industrial Machinery Group Cuts Costs by 15 Per Cent with Business Management Software

Overview

Country or Region: Belgium

Industry: Manufacturing—Industrial equipment and machinery industry

Customer Profile

Picanol Group is a global supplier of solutions for the weaving industry and other sectors. Based in Ypres, Belgium, it has a turnover of €400 million (U.S.\$517 million) and 2,300 employees.

Business Situation

Picanol wanted to consolidate different software implementations and business processes in a single environment to reduce operating costs and support its build-to-order production model.

Solution

Picanol volunteered as a pre-release customer for Microsoft Dynamics® AX 2009 business processes management software, which will serve its global network of manufacturing sites.

Benefits

- Operating costs cut
- Planning completed in three hours
- Business transparency enhanced
- Greater flexibility with costing
- Potential for more granular systems

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Jurgen Couvreur, Chief Financial Officer, Picanol Group

Picanol Group is a Belgium-based global player in the manufacturing of industrial machinery and mechatronics. Faced with the global economic downturn, the company decided to reengineer its processes to achieve a more integrated supply chain and support diversification into other manufacturing sectors. By deploying Microsoft Dynamics® AX 2009, Picanol no longer requires other proprietary software to manage its operations in Asia, Western Europe, and the United States. In moving to the new solution, Picanol is reducing annual operating costs by 15 per cent, improving customer service, while making the group's business more transparent to senior managers. Compliance is less of a problem now and systems are available for multiple language and currency requirements. Complex manufacturing planning that used to take 50 hours now takes place in less than three hours.



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Situation

The global economic downturn has produced a vigorous response from Picanol Group, the Belgium-based specialist manufacturer of weaving equipment, industrial machinery, and mechatronics. With operations throughout the world, the group has embarked on a diversification plan to extend its existing core competencies in equipment manufacturing to other mechanical and electronics industries.

With a turnover of €400 million (U.S.\$517 million) and 2,300 employees, Picanol has long enjoyed a reputation for excellence as a developer of highly productive weaving systems. Its manufacturing and mechatronics business has pioneered the supply of specialised services to third parties. The new Picanol Group business plan involves the more efficient organisation of financial and logistical processes and an adaptation of capacity to reduce exposure to changes in the worldwide economy.

The first step is integration—Picanol is adding more functions in the supply chain to its business. Besides producing industrial machinery, Picanol focuses on delivering good service through well-engineered processes and support centres across the world. Diversification follows naturally from integration. Because the textiles industry is highly sensitive to the economic climate, Picanol has acquired companies with similar processes and extended itself into other industries. To support further development for third parties, the group has started to construct a new moulding line in Ypres at a cost of €18 million.

Jurgen Couvreur, Chief Financial Officer, Picanol Group, says: “As a global player in our specialty, we have manufacturing facilities in the United States, China, and Western Europe. And alongside that we have 10 service centres. As a company we want to

differentiate in delivering a full solution to our customers. Technology is also a key driver in our product development and a way to diversify our focus on other industrial activities.”

Production of weaving equipment and accessories at Picanol follows the build-to-order principle. Typically, the process lasts a number of months and is completely tailored to the customer’s needs, characterised by smaller quantities in different variants. In the 1980s, the firm used a mainframe with its own software to manage the business, but by 2000 support and upgrades for this software came to an end—posing a high degree of operational risk to the business. In addition, the global textiles weaving industry was evolving quickly, which demanded rapid implementation and joined up business systems in manufacturing, logistics, and finance to meet customer demand and deliver excellent service.

Picanol consciously chose to centralise customer, supplier, and stock data for the entire group in a single database, despite the challenge of operating across nine different legal systems worldwide, 10 different service centres, and more than 800 users. “That’s also nine different timeframes, plus nine ways of delivering services to our customers. This all becomes less of a challenge if you use a common platform understood by everyone,” says Couvreur.

The production process at Picanol is exceptionally complex, with no fewer than 25 levels in the bill of materials. The materials requirements planning (MRP) cascades through three different legal entities to manage manufacturing work flow via the inter-company functionality. Marc De Deygere, IT Program Manager, Picanol Group, says: “From the final product you go all the way back to producing castings, and the purchase of raw materials. For us it is a key

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Marc De Deygere, IT Program Manager,
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decision to have only one platform for all the different implementations and processes—one business management system and a common framework for all our legal entities, which supports them in their own native language.

Solution

Picanol was drawn initially to Microsoft Dynamics® AX 3.0 because Microsoft offers global support. “Of course, SAP was also one of the candidates,” adds De Deygere. “But the business was evolving so fast that rapid implementation was critical. And Microsoft Dynamics AX offered that flexibility. In addition, after standardising on Microsoft there were excellent opportunities for integration of other IT assets.”

In 2003, Picanol chose Delaware Consulting, a Microsoft® partner with considerable experience in business management systems, as its implementation partner. Luc Van Aelbroeck, Managing Partner, Delaware Consulting, says: “We follow our clients to their different locations and so a very important installation for Picanol was China—we supported the Picanol subsidiary from our office in Shanghai so that our client could become technically self-sufficient in using the product.”

However, as customisations were added to Microsoft Dynamics AX 3.0 to meet the company’s evolving needs, Picanol was keen to deploy a new standardised version of the software as soon as possible to reduce operating costs. The opportunity arose with the Technology Adoption Programme (TAP)—which is designed to provide a consistent experience for Microsoft partners to deliver customer feedback on Microsoft pre-release products—for Microsoft Dynamics AX 2009.

De Deygere says: “The migration to Microsoft Dynamics AX 2009, which offers enhanced features, helped us to return to a genuine

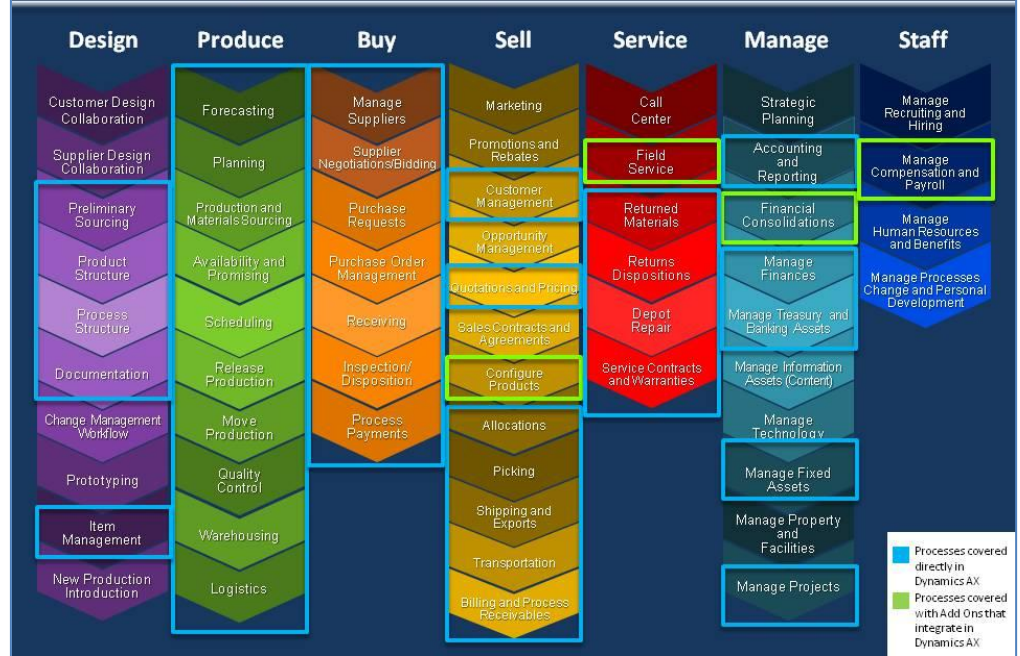
standard solution. The closer you remain to a standard solution, the easier it is to maintain and upgrade the system.”

The migration project began in early 2008 and went live just six months later. The deployment team followed a carefully chosen incremental route starting with the three business units in Belgium—Picanol, Proferro, and Verbrugge. “These were the most complex projects within the group, and we were able to call on full support from Microsoft,” says De Deygere. In September 2008 the Picanol production plant in China was also involved in the TAP, given its importance to the group as a whole. “Delaware continues to play an active role in new Microsoft Dynamics projects, but the day-to-day support for these three units is from an in-house Picanol team of five. Other business units will follow later in 2009 as the software is rolled out to locations worldwide.”

De Deygere adds: “When upgrading we wanted to achieve the stability and scalability that the Picanol Group needs. By migrating to Microsoft Dynamics AX 2009 we achieved these goals and the software went live without any problems.”

The transfer of information to clients and suppliers and among the subsidiary companies in the Picanol Group was another consideration in the choice of technology. De Deygere is enthusiastic about the possibilities for future integration with Microsoft BizTalk® Server 2006. “BizTalk Server provides the communications, monitoring, and orchestration of the information flows between our business units, and with customers and suppliers,” he says.

Dynamics AX Process Map Process Coverage at Picanol Group



“Microsoft Dynamics AX 2009 makes our business more transparent and easy to manage. Overall, we have adopted a standard way of doing business, which increases efficiency and reduces costs.”

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Benefits

Picanol has transformed its business management system to support better integration of the supply chain and diversification to meet the challenge of changing markets by using Microsoft Dynamics AX 2009. The tool is helping facilitate this with a single standardised system that offers improved customer service and makes it easier to acquire other companies. As a result, operational costs have been cut by 15 per cent a year. The business is also benefiting from operating in a standardised environment across its nine legal entities resulting in greater transparency and efficiency. The new features in the solution also offer potential for improved productivity.

New Business Management Software Cuts Operating Costs By 15 Per Cent

Looking back on the Picanol decision to abandon the mainframe and move to Microsoft Dynamics AX, Couvreur says: “I think Microsoft Dynamics AX 2009 was the best decision for us.” And, although it’s never easy to quantify return on investment, Couvreur says with conviction: “Through Microsoft Dynamics AX 2009, we were able to move from a highly customised mainframe

environment to a standard software solution. This decreased our annual running costs by 15 per cent.”

Built-to-Order MRP Processes Take Just Three Hours Rather Than 50 Hours

Every evening on a full production day the product configurator sends a requisition for 150,000 to 200,000 sub-assemblies to Microsoft Dynamics AX 2009. An MRP calculation schedules the required work and purchasing orders. In the past this took more than 50 hours. “By running MRP and parallel processes we can now run our MRP in less than three hours a night,” says De Deygere. “We can also run these procedures more often, resulting in improved flexibility to changes in demand.”

Standardisation Increases Transparency Throughout the Business

Picanol no longer uses proprietary software and by moving to a standardised environment, specialised coding has been jettisoned. However, with standardisation has come greater access to granular information for senior managers.

Couvreur says: “Microsoft Dynamics AX 2009 makes our business more transparent and easy to manage. Since all business units are in the same system and processes are

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harmonised it is easier to get the data out of the system and benchmark the units. Overall, we have adopted a standard way of doing business, which increases efficiency and reduces costs. We were also able to take a fresh look at our logistical and financial processes by teaming up worldwide to making them more visible to our managers.”

Greater Business Flexibility with Costing

The opportunities for improved costing are more extensive with Microsoft Dynamics AX 2009. “Besides standard cost, we wanted to calculate the cost of our machines on the basis of the most recently invoiced prices,” says De Deygere. “Using the new system, we can also calculate based on trade agreements: now we can compare our machines on price agreements with suppliers against actual invoiced prices. In Microsoft Dynamics AX 3.0, Picanol had a customised solution for activity-based costing—by upgrading to Microsoft Dynamics AX 2009 we simulate this with the new costing sheet feature.”

Potential for Richer and More Granular Business Management Systems

Picanol has managed to increase its market share even in difficult trading conditions. In particular, currently there is less demand for new machinery from China. But the company is committed to extracting the full value of its investment in the new technology. De Deygere says: “The new version contains interesting functions that we are going to

investigate further, such as the management of workflows, expense management, user role interface, and compliance. We are already delighted with the possibilities offered by Microsoft Dynamics AX 2009 and the support it provides in developing our business strategy.”

Microsoft Dynamics

Microsoft Dynamics® is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like familiar Microsoft® software such as Microsoft Office, which means less of a learning curve for your people, so they can get up and running quickly and focus on what’s most important. And because it is from Microsoft, it easily works with the systems that your company already has implemented. By automating and streamlining financial, customer relationship, and supply chain processes, Microsoft Dynamics brings together people, processes, and technologies, increasing the productivity and effectiveness of your business, and helping you drive business success.

For more information about Microsoft Dynamics, go to: www.microsoft.com/dynamics

Software and Services

- Microsoft Dynamics
 - Microsoft Dynamics AX 2009
 - Microsoft Dynamics AX 3.0

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