



BUSINESS PROFILE

FROM ITS ORIGINS AS A SWEDISH GRAPHICS COMPANY IN 1913, ESSELTE CORPORATION TODAY IS A LEADING GLOBAL OFFICE SUPPLIES MANUFACTURER WITH AN ANNUAL REVENUE OF USD\$1 BILLION, SUBSIDIARIES IN 33 COUNTRIES AND MARKET DOMINANCE IN EUROPE AND NORTH AMERICA.

BUSINESS/IT CHALLENGE

IN 2003, ESSELTE WAS USING 27 BUSINESS SYSTEMS (18 ERP AND NINE WAREHOUSE MANAGEMENT) IN 30 SEPARATE IT DIVISIONS WORLDWIDE. IT WAS A MASSIVE OVERHEAD IN TERMS OF COST PER SALES AND THE INITIAL KEY DRIVER TO FIND A GLOBAL SOFTWARE SYSTEM WAS TO MAKE SIGNIFICANT IT SAVINGS.

SOLUTION

ESSELTE SELECTED MICROSOFT DYNAMICS AX IN 2004 TO CONSOLIDATE ALL IT SYSTEMS INTO ONE GLOBAL BUSINESS SOLUTION OVER THREE YEARS.

BENEFITS

- MORE EFFICIENCIES, HIGHER PROFIT AND COMPETITIVE ADVANTAGE
- GLOBAL STANDARDS OF WORK
- MAJOR REDUCTION IN IT COSTS
- HIGH RETURN ON INVESTMENT

ESSELTE FILES WORLD FIRST FOR MICROSOFT DYNAMICS AX GLOBAL ROLLOUT

Global office supplies manufacturing giant, Esselte Corporation, is the first company in the world to implement Microsoft Dynamics® AX across four continents with its global implementation partner, Tectura. With 30% now completed, Esselte has already gained a high return on investment (ROI) with a range of immediate and long term benefits.

BUSINESS BENEFITS

From its origins as a Swedish graphics company in 1913, Esselte Corporation today is a leading global office supplies manufacturer with an annual revenue of USD\$1 billion, subsidiaries in 33 countries and market dominance in Europe and North America.

Esselte has been so successful in providing people around the world with innovative filing workspace products for their business and home offices that it now distributes more than 30,000 office products in 120 countries.

The privately owned company is the world leader in the filing segment with a 20% global marketshare. This is Esselte's largest revenue producing category and includes products such as suspension files, binders, file folders, report covers and portfolios.

In terms of markets, Europe accounts for 55% of revenues, North America contributes 40% and Latin America and Asia Pacific generate the remainder. To service its customers, Esselte employs 6,000 people and has four operating divisions - Esselte Europe, Esselte Americas, the Creative Division and Asia Pacific.

SETTING THE SCENE

Esselte is undertaking a three year global implementation of leading Tier 2 Enterprise Resource Planning (ERP) application, Microsoft Dynamics AX and is currently 30% complete.

Since May 2005, seven sites are 'live' – the Esselte offices in Australia, New Zealand, Belgium, Russia, Netherlands, Czech Republic and Hungary. Canada is currently being rolled out and the United States, China and Poland are to begin later this year. In 2007, Esselte's northern and southern Europe offices, in conjunction with Tectura, will begin the rollout process.

Tectura is the world's leading Microsoft Dynamics® partner and number one provider of Microsoft-based ERP (including Microsoft Dynamics AX and Microsoft Dynamics® NAV), CRM and technology solutions to mid-market companies, larger enterprises and their divisions.

“We were looking at the largest global implementation of an ERP system.”

Mark Katz
Vice President of IT
Esselte Worldwide

A Microsoft Gold Certified Partner, Tectura provides software, consulting, and IT implementation services to more than 4,000 clients in over 60 countries. Tectura has been recognized by Microsoft for its outstanding customer service with such awards as Global Partner of Year 2006, Pioneer of the Year 2005, U.S. Partner of the Year 2004, Global Partner of the Year 2003, Asia Pacific Partner of the Year 2002-2004, and Excellence in Customer Care 2003.

Mark Katz, Vice President of IT Esselte Worldwide and responsible for all applications development, infrastructure and computing globally, said it was exciting and challenging to be undertaking the biggest Microsoft Dynamics AX implementation globally.

But rather than losing sleep over it, Katz said he was extremely happy with the progress.

“We couldn’t be more thrilled to be in the position we’re in. We’ve got the foundation and now that we’re 30% there, we’ve turned the corner and it’s successful.

“To be honest, it’s the partnership with Tectura that’s given us the confidence that it’s not going to be one of the all-time gravest mistakes in IT history. It could have been an outright disaster but it’s not. We’re the first to undertake the largest global ERP implementation and there’s probably a Guinness Book of Records title there.”

BUSINESS/IT CHALLENGE

In 2003, Esselte was using 27 business systems (18 ERP and nine warehouse management) in 30 separate IT divisions worldwide. It was a massive overhead in terms of cost per sales and the initial key driver to find a global software system was to make significant IT savings.

The other challenge was the lack of standardisation globally. Each country was a kingdom of its own, reporting in its own way with no consistency of financial or sales reporting globally. The central finance division had to deal with all sorts of discrepancies between the various reporting methods including multicurrency.

The inconsistency and lack of accurate reporting resulted in limited visibility of the business in all operational areas from accounting to manufacturing, warehousing, distribution, marketing and sales. It was time consuming and difficult for group management to access reliable information, manage process and staff performance and productivity and make informed business decisions.

Overall, the state of Esselte’s IT operations inhibited the company’s focus on building

its core brand and expanding further globally. It wasn’t able to efficiently leverage its existing IT systems to formulate major corporate growth such as acquisitions and, potentially, a public offering.

Mark Katz realised that a centralised ERP infrastructure was required to streamline supply chain management, manufacturing processes and to increase efficiency and profitability across the organisation.

“I was standing on the edge of a major global decision – a world first in fact – as we were looking at the largest global implementation of an ERP system. I knew Esselte Worldwide had to consolidate information globally and have visibility over the entire global operation. In order to do this, we had to launch the first large scale global IT implementation ever undertaken,” he said.

Katz initiated the search for a powerful, global system that would provide Esselte with a competitive advantage regionally and worldwide.

“We had 33 different countries, cultures and 93 years of worldwide business to consolidate on a single platform. The system had to be easy to use and support additional requirements – that is, it had to change and grow with the business cost effectively,” Katz said.

THE SOLUTION

Following rigorous evaluation and a short list of five products, Esselte selected Microsoft Dynamics AX in 2004 to

consolidate all IT systems into one global business solution over three years.

According to Mark Katz, who has had extensive experience in implementing systems for large companies, including Levis-Strauss, in Europe and Africa, Microsoft Dynamics AX is the most robust ERP system with global capability in the world today.

Its strength is that it uses a layered system for managing multi-sites, countries, languages (31) and currencies; integrates all operational areas from financial management to production, supply chain management, HR to CRM and is capable of rapid deployments (3-6 months per site).

“I was really taken back by Microsoft Dynamics AX’s scalability and functionality. It is a great core application with the ability to be used worldwide and to add on the specific requirements of each region whether it’s language, tax regulations, varying currencies or business processes,” Katz said.

Esselte then worked with Microsoft Dynamics® as the prime contractor to select the strongest integrator companies with the capability to implement Microsoft Dynamics AX across its worldwide operations.

Tectura was chosen as one of two Microsoft Dynamics partners to develop a Global Core Solution and, at the same time, ensure that Microsoft Dynamics AX complied with policies and procedures that were Esselte-specific, country-specific and site-specific.

Renee Dothard, Global Project Manager on Esselte for the Tectura said it was a massive project that involved the planning and co-ordination of hundreds of people from diverse countries and cultures across four global companies.

“In relation to scale and complexity, we were charting new territory but we were able to use our proven methodology, the Tectura Solutions Framework, to create a strategic framework for a shared vision,” Dothard said.

IMPLEMENTING THE MICROSOFT DYNAMICS AX SOLUTION WITH TECTURA

Prior to roll-out, Esselte had to make a number of fundamental business decisions such as the processes and procedures for the ‘global build’, rollout timeframes and project methodologies.

Joe Horvath, Global Vice President of Esselte who is in charge of the company’s Microsoft Dynamics AX Centre of Excellence Office said, “We came up with a critical set of standard documents, standard processes and actions for operations based on 125 business decisions we had to make. This led us to create two central philosophies – ‘adopt rather than adapt’ and ‘move and modify.’

“We determined we would create a model which would allow countries not to create their own versions of Microsoft Dynamics AX but, rather, to create a global model that would be adopted rather than adapted to each country’s requirements,” Horvath said.

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Mark Katz
Vice President of IT
Esselte Worldwide

“We also didn’t over-design the application the first time as we knew we were on a learning curve and we may make a few mistakes. So the model was constantly evolving as Tectura implemented it which was a great experience.”

In order to move forward after almost a year of deliberations at Esselte, it was up to Tectura and the other Microsoft Dynamics implementation partner to agree upon a deployment methodology.

Tectura’s (Australia) Phil Hetherington, a lead consultant in the implementation of Microsoft Dynamics AX into the first sites of Australia and New Zealand, said, “We decided to use a global layer of code that could be tailored for local functionality. The benefit was that in each deployment we only needed to tailor country specific features which sped up the rollout on each subsequent implementation.”

“Basically, we took the Tectura Solutions Framework, which highlights the phases of

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Renee Dothard
Global Project Manager
Tectura

implementation and the deliverables for each stage and adapted it to the global project. It may sound simple but there is much more information, templates and test scripts to divide across users and departments so it is actually quite complex.”

The Esselte Australia and New Zealand sites were the ideal testing grounds because the Australian arm required manufacturing, distribution and supply chain functionality and it was well managed with strong commitment from the CEO, Chris Phillips.

Tectura’s advanced distribution module was added to the Australian operation which provided additional functionality such as improved back office procedures including better credit handling and electronic data interchange capabilities. This enabled Esselte Australia, when dealing with electronic purchase orders from large retailers such as Woolworths, Big W and Myer, to track the purchase order through to distribution adding greater visibility.

This local layer of code built in Australia and New Zealand by the Tectura team was adopted as the prototype for subsequent multi-country rollouts. With each implementation, new and improved functionality is added so that the entire global network benefits.

One of the other key advantages of Microsoft Dynamics AX is its rapid rollout capability of three to six months on average and, in some cases, less than eight weeks which was achieved in New Zealand.

Esselte’s Microsoft Dynamics AX Project Manager for Australia and New Zealand, Pascal Kouknas, spearheaded the implementations with the Tectura (Australia) team before moving to London to take up his current position of Director of Systems Development for Esselte Corporation.

According to Kouknas, the single most important benefit Esselte has achieved from the Australia and New Zealand implementations is a solution that will allow the company to efficiently and effectively manage the business going forward.

Pascal Kouknas: “It allows us to continue to develop an environment that is cost effective without the limitations we had to contend with previously. Microsoft Dynamics AX will change as the business does and we have a dedicated team to manage that in Australia and New Zealand, whilst globally, we’re developing a Centre of Excellence (COE) that will provide us with the skills and resources internally to manage a global application long term.”

THE BENEFITS

More Efficiencies, Higher Profit and Competitive Advantage

Esselte Corporation is already achieving its objectives to streamline its global supply chain management and manufacturing processes and to increase efficiency and profitability throughout the organisation. The Microsoft Dynamics AX application will further consolidate the skills and resources of Esselte into three key data centres – the US, Europe and Asia Pacific – providing 24/7 support globally. Overall, Esselte will gain wide-ranging control over its business which will provide a springboard for major competitive advantage to be realised in local and global markets.

Global Standards of Work

As a company focused on the concept of “lean” including lean manufacturing, Esselte will have one system worldwide that will provide it with global standards across all its operations from order processing and accounting to production, marketing and warehousing activities.

“To have a project of this size going into so many countries in such a short time is remarkable. To complete it without any major flaws is incredible.”

Mark Katz
Vice President of IT
Esselte

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Pascal Kouknas
Regional IT Manager
Esselte Australia

All facets of the business will be monitored, measured and managed more effectively on the ground locally and globally and management teams will have the latest tools and timely information to make better informed decisions.

Major Reduction in IT Costs

Esselte expects to gain large and on-going cost benefits, initially in the savings it makes across its IT divisions and, once it consolidates its core systems worldwide, the year on year savings in operational efficiencies will be dramatic.

Mark Katz: “Even though this implementation has been the first of its type in the world and it is complex, it has been more cost effective than any other ERP installation that I’ve done in my career. This is due to the model we developed to create a global design.”

He said it was also because Esselte was working closely with its business leaders worldwide to use one model that required ‘adopting’ rather than ‘adapting’, minimising the need for extensive customisation in each country.

“We haven’t been able to ‘adopt’ 100% as we have had some local customisation but, in the main, the application is the same the world over which is another reason the costs are down. The other contributing factor is having a partner like Tectura that understands the business model and works with the internal team to ensure it is installed in a consistent fashion at every site.”

High Return on Investment

While Katz doesn’t believe Esselte has passed the payback model yet, he said the company will gain return on investment (ROI) in two ways.

“Firstly, we will continue to realise real cost savings every year by having a single IT application, rather than 27 ERP systems worldwide through reductions in staffing, hardware and software. This will be augmented by us being able to share knowledge and resources for technology, training, maintenance and upgrades. Because of its unique code base, Microsoft Dynamics AX allows a lot of development to be done in house, making a huge difference to IT costs over the long term.

“Secondly, we will achieve ongoing ROI in terms of what Microsoft Dynamics AX is capable of delivering. What we’re finding is that Microsoft Dynamics AX contains an incredible amount of operational information our old applications never had. We have a powerful system with deep functionality and we expect it will take around 12 months for us, once the system is ‘live’, to optimise all the benefits it offers.

“We want to streamline our business incorporating lean principals. We now have one of the leading ERP systems in our industry and we will be able to achieve further efficiencies globally.

“Once operational efficiencies across the board in customer service, end-to-end supply chain and tight integration between manufacturing and distribution are realised in the next 24-36 months, we expect to be extremely happy with our ROI,” Katz said.

WORKING WITH TECTURA

Katz said Tectura has delivered on what they promised on a global level and had even gone several steps further to help Esselte realise future efficiencies.

“Two things really stand out about Tectura. One, they put together a strong team who have some of the best implementation models available and, two, they have a sense of doing things right rather than just getting the job done and worrying about it later. They are very focused on the quality component and that has served us well as we really wanted to get it right the first time.”

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ESSELTE'S TOP FIVE TIPS

If asked to provide advice to other organisations considering a global ERP installation, Mark Katz, Vice President of IT Esselte Worldwide, would recommend the following:

1. Seriously consider the benefits of integration, particularly global integration, and consider the costs of not integrating as the costs of not doing it can be more than the costs of doing it.
2. Spend a lot of time on relationships with your project managers to ensure everyone at local and global levels has a shared vision and has buy in of what needs to be achieved.
3. Prior to the rollout, allocate sufficient time to identify, improve and get agreement on business processes to ensure you get the best possible system in place.
4. In terms of project management, follow a proven methodology that addresses both global and local deployment requirements.
5. Choose a deployment partner with the capability of a global company but with the expertise of a local team to rollout the ERP system.

“Globally and regionally, Tectura has been an excellent partner for us. I've got to commend Tectura global CEO, Terry Petrzelka, for his leadership in representing Esselte's needs and wants for the product from Microsoft Dynamics. The Tectura team didn't just implement Microsoft Dynamics AX, they looked at what we were trying to achieve in a holistic fashion and used their depth of experience to recommend sound strategies and prevent us from some nasty pitfalls.”

CONCLUSION

By the end of 2006, Esselte will have 60-70% of the project completed with the balance to occur in 2007. From all reports, the momentum in the roll-out has already picked up substantially and is on schedule. The last word should go to Mark Katz.

“To have a project of this size going into so many countries in such a short period of time is remarkable. To complete it without any major flaws, and to do so at a reasonable cost is incredible. If there were other ERP global projects of this calibre, you would expect them to take five to seven years.”

ABOUT TECTURA

Tectura is a worldwide provider of business consulting services providing sustainable value through consulting, software and IT implementation. Our clientele include mid-sized companies and larger enterprises throughout the Americas, EMEA, and Asia Pacific. With team members in 20+ countries, Tectura applies its comprehensive industry knowledge and unparalleled experience in collaboration with our clients to deliver business and technology strategies and solutions designed to achieve their business performance goals.

Learn more at www.tectura.com



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