



Microsoft Solutions for the Manufacturing Industry Customer Solution Case Study



Overview

Country or Region: Serbia

Industry: Manufacturing

Customer Profile

Galeb Group manufactures, sells, and maintains electronic tools, industrial equipment, and metal packaging. The company employs 480 people and uses 50 desktop computers.

Business Situation

To maintain its competitive advantage, Galeb Group needed an overhaul of its information infrastructure to streamline information access and communications, and automate processes.

Solution

The company deployed a new information infrastructure based on Microsoft® Windows® and Microsoft Dynamics™ NAV modules for finance, marketing and sales, and purchase and inventory.

Benefits

- Some process times cut by half
- More efficient use of human resources
- Financial headcount down by one-third
- Departmental operations consolidated
- Unpayable demands down by 12%
- Anticipated reduction of 50% in stock-transfer costs

Manufacturer Empowers Employees With Streamlined Communications, Automated Processes

“With this solution, we believe we will accomplish all of our goals rapidly.”

Ivan Mitrovic, General Manager, Galeb Group

Based in Serbia, Galeb Group is a leader in the manufacture, sale, and maintenance of industrial equipment in Europe. After tripling its workforce in 10 years, the company struggled to maintain efficient communications and automate key processes, a situation that hindered employees' productivity and their ability to serve customers. Working with Microsoft® Gold Certified Partner PSC, the company implemented a solution based on Microsoft Windows Server® 2003, Microsoft SQL Server™ 2000, Windows® XP, Microsoft Office 2003, and application-specific modules from Microsoft Dynamics™ NAV (formerly Microsoft Business Solutions–Navision). Consequently, the company has enjoyed vast improvements in information access, financial analysis capabilities, and process automation—cutting processing times for many line-of-business operations by half, consolidating offices, and enhancing customer service.



“Employees in purchase and inventory can now access more accurate information on the department’s obligations and can streamline processes for paying suppliers and determining the prices paid to those suppliers.”

Milivoje Pucarevic, Ordering Department Manager, Galeb Group

Situation

Founded in 1977 and headquartered in Sabac, Galeb Group is the oldest registered private company in Serbia. Galeb Group is a leader in the manufacture, sale, and maintenance of electric tools and industrial equipment as well as plastic and metal packaging for the food, chemical, and pharmaceutical industries. It also is the largest Serbian manufacturer of cash registers and GPRS terminals for remote management.

Within Galeb Group, some 450 employees are responsible for high-level administrative functions in the areas of finance, marketing and sales, and purchase and inventory. The company depends on these professionals to accomplish their work efficiently and cost-effectively. But in the early 2000s, they struggled to meet this challenge for the simple reason that the company’s information infrastructure had not kept pace with growth. That growth entailed a tripling of the employee headcount from the mid-1990s to the mid-2000s with the acquisition of new businesses and the opening of new branch offices.

Communication Inefficiencies, Forecasting Difficulties

For the employees of Galeb Group, these information-infrastructure problems all too often turned into business problems directly affecting the bottom line. In finance, for example, it could take up to a week to issue invoices, remit compensation, or deliver bills of lading—and even longer when complicated payment terms required additional processing.

Moreover, communication inefficiencies meant that department staff members lacked access to a consistent body of information. Consequently, financial managers rarely had the timely and comprehensive data they needed to prepare accurate forecasts and

competitive analyses, or to establish and maintain optimum pricing in a given market.

This situation posed serious repercussions for the business as a whole, according to Ivan Mitrovic, General Manager of Galeb Group. “To compete effectively, financial managers must be able to accurately forecast short-term business trends and analyze the performance of the company against competitors,” he says.

IT Manager Jasmina Gmizic concurs. “Our inability to accurately forecast trends and perform competitive analyses cut into the company’s potential profits by up to 10 percent,” she says.

Challenges in Information Access, Process Automation

Employees in marketing and sales faced similar obstacles to efficient communication and exchange of information. For example, sales representatives working remotely found it difficult to access up-to-date information on pricing, quantity discounts, and credit limits. They also found it nearly impossible to adequately automate order processing. In the worst case, a sales representative might lose a customer’s goodwill—or even its business—when an order required so long to process that the product became unavailable by the time it was to ship.

On the other side of that equation, managers in purchase and inventory had a hard time efficiently planning and ordering product stock. “Just verifying order requests from the field was so cumbersome that ordered quantities often had to be reduced by up to 30 percent,” Gmizic says. “This reflected badly on the company’s liquidity.”

A related problem was maintaining adequate stock at the various branch offices, which required frequent transfers from one office to another. As Gmizic goes on to say, the

transportation and processing costs of these transfers represented up to 5 percent of product pricing.

Solution

As Gmizic explains, for Galeb Group to maintain the growth path that made it a leader, the company had to deploy an information infrastructure that could be successfully supported and enhanced without requiring expansion of limited internal resources. Considering these requirements, and after consulting with PSC, a Microsoft® Gold Certified Partner headquartered in Belgrade, Gmizic and her executive colleagues selected a solution based almost entirely on Microsoft server, client, and application software.

According to Gmizic, the following were critical factors in her team's decision to implement a Microsoft-based solution:

Integration: For an efficient and stable technology environment, the executives wanted a solution that was fully integrated from top to bottom. They felt that the reduced need for training, support, and development from such integration would give them a competitive advantage in their industry.

Ease of support: For cost savings, the executives sought a solution that could be supported by a single partner or by any one or more of the existing partners in their geographic area. They liked the fact that Microsoft has a significant number of local partners to help ensure long-term support.

Familiarity: For minimizing development and deployment costs and for ease of future enhancements, the solution should be familiar to a wide range of developers. For example, the executives wanted the flexibility to upgrade the enterprise resource planning (ERP) components of the solution to fit evolving workflow patterns using internal

company resources or a combination of internal resources with those of a local partner.

Scalability: For supporting the needs of employees as the company grew, the executives wanted proven scalability in their solution. "We take to heart the market message of [the] Microsoft Dynamics™ NAV [business management solution]: 'Buy exactly what you need when you need it,'" Gmizic says. "This is extremely important as we are a company that has been growing very fast."

Licensing flexibility: For keeping costs down, the executives looked for a solution with flexible licensing options.

Under the leadership of PSC Project Manager Milijana Djordjevic, a four-person team—two from PSC and two from Galeb Group—designed, developed, and deployed phase 1 of the Microsoft-based solution in five months and established a blueprint for implementing phase 2 of the solution within a year of production rollout.

That solution consists of the Microsoft Windows Server® 2003 Standard Edition operating system and Microsoft SQL Server™ 2000 Standard Edition on the servers; the Windows® XP Professional operating system and Microsoft Office Standard Edition 2003 on the desktop computers; and application-specific modules from Microsoft Dynamics NAV (formerly Microsoft Business Solutions—Navision) for financial management, marketing and sales, purchase and inventory (phase 1), and service and manufacturing (phase 2).

A comprehensive network infrastructure supports information exchange and collaboration among employees at Galeb Group headquarters and six branch offices.

Benefits

After just a few months in production, Gmizic and her colleagues began reporting substantial benefits from the Microsoft-based solution. They include online access for all business units, more powerful financial analysis capabilities for executives, easier and faster access to information for all employees, and enhanced communications among employees, suppliers, and customers.

Eliminating Barriers to Communications

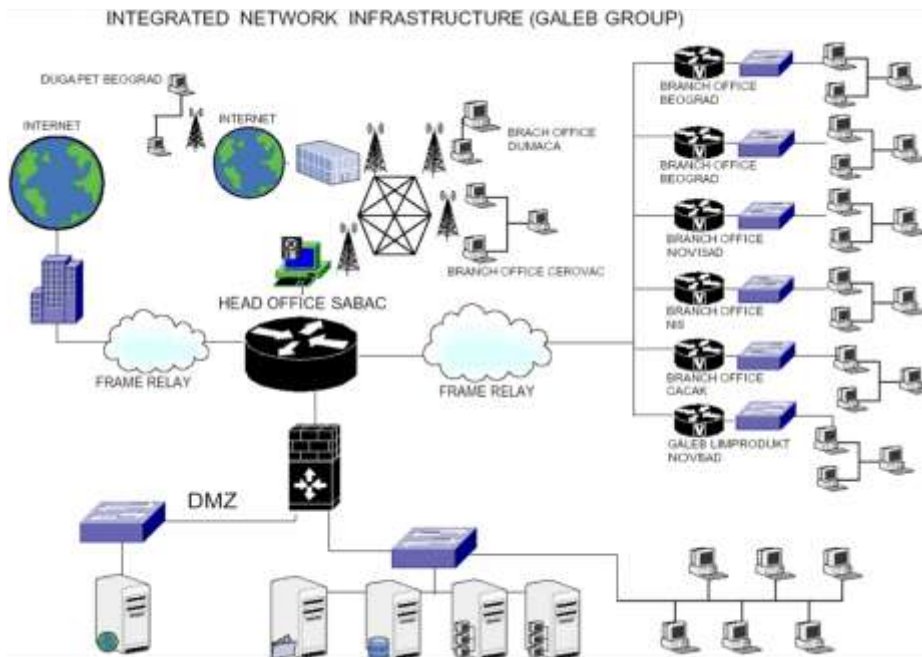
In finance, for example, managers and staff are using the solution to communicate more efficiently with sales representatives serving selected buyers—cutting the time required for the processing of orders, sales, and compensation by half. Administration has also become so much more efficient that the company has been able to transfer administrative staff to areas where they can more directly help the company's profitability by monitoring accounts payable and receivable.

Through such efficiencies, Galeb Group has reduced headcount in its financial department by one-third and consolidated departmental operations from three offices down to just one. "This makes communications among staff members far easier than before," Gmizic points out.

According to Dejan Matic, Manager, Sales of Traditional Programs at Galeb Group, the company has implemented further organizational changes to processes for credit management and management of delivery, thereby reducing current unpayable demands by 12 percent. Another improvement is a more efficient and effective way of determining customers' credit ratings, which reduces outstanding claims charges. In addition, more effective forecasting increases the efficiency of debt payment. "Using this solution, we have centralized our credit-management system so that sales representatives can easily learn what kind of credit terms to grant to a given customer, helping us to retain good customers while minimizing our losses," Matic says.

Connecting Marketing, Sales, and Suppliers

In marketing and sales, managers and staff are seeing similar benefits. According to Gmizic, information flow between offices and departments is now so streamlined that the ordering department no longer has unrealized requests. "This means they can more efficiently plan for orders with long delivery times," she says. "Moreover, day-to-day communication among employees in marketing and sales is significantly more efficient, and we've heard favorable comments about this from our suppliers and customers. For their part, the sales representatives are delighted to have marketing information more readily available and up to date."



“...[W]e’ll be able to serve customers more effectively, thereby gaining and maintaining the customer goodwill that is the cornerstone of the company’s success.”

Jasmina Gmizic, IT Manager, Galeb Group

In purchase and inventory, as well, solid benefits appeared early on. According to Milivoje Pucarevic, Ordering Department Manager at Galeb Group, within just a couple of months the department had vastly improved the efficiency of the following vital tasks: confirming obligations to suppliers, calculating average purchase costs, executing purchases from abroad, determining exchange-rate differences, verifying required purchases, and processing custom clearances.

Consequently, “Employees in purchase and inventory can now access more accurate information on the department’s obligations and can streamline processes for paying suppliers and determining the prices paid to those suppliers,” Pucarevic says. “This is vital for planning payments for any given period.”

Yet another plus is that the deployment is simplifying processes for monitoring location-specific stock levels. And this, Gmizic points out, will help to reduce the need for—and the costs of—transferring stock from one location to another. “With a B2B portal we will launch through Microsoft Dynamics NAV, we expect to cut stock transfer costs from 5 percent of product price down to just 2 or 3 percent.”

Improving Warranty Management

As welcome as these benefits are to the managers and staff in the finance, marketing and sales, and purchase and inventory departments of Galeb Group, even further benefits are expected once the company implements phase 2 of the solution: deployment of Microsoft Dynamics NAV service and manufacturing modules.

That deployment, Gmizic explains, is expected to significantly improve the way the company manages product warranties. “With more than 150,000 devices in use by customers under various kinds of warranties,

Galeb Group depends heavily on the efficient operation of its service department,” she says. “By integrating service with manufacturing, the company will be able to track a device through its serial number all the way from its manufacture and sale to the time it is replaced. Thus, we will be able to know exactly what kinds of service a given device requires—to help us understand the expense of maintaining that device and the profit margin of that device over its lifetime.”

Gmizic estimates that through such tracking the company will be able to cut service costs by about 2 or 3 percent. “Even more important, we’ll be able to serve customers more effectively, thereby gaining and maintaining the customer goodwill that is the cornerstone of the company’s success,” she says.

Enhancing Insight for Better Analysis and Planning

Looking back on the challenges that led Galeb Group executives to implement the Microsoft-based solution and the company’s experience thus far with its implementation, Mitrovic considers the project a resounding success.

“From the start, our goals were to better manage and integrate business processes, to reduce errors and expenses, to increase quality and productivity, and to enhance our insight into real-time information for improved qualitative analysis and planning,” Mitrovic says. “With this solution, we believe we will accomplish all of our goals rapidly.”

Looking into the future, Mitrovic considers the solution essential for helping the company to meet the ongoing demands of a dynamic marketplace. “Being responsive to the changing demands of the market has helped Galeb Group to enjoy constant growth for more than 30 years,” he says. “We believe this solution will help us to maintain that

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For more information about Galeb Group products and services, visit the Web site at: www.galeb.com

For more information about PSC products and services, visit the Web site at: www.psc.co.yu

responsiveness for a continuing competitive advantage.”

Microsoft Solutions for the Manufacturing Industry

Manufacturing enterprises must compete in an increasingly global environment. Success depends on finding ever-greater efficiencies throughout the enterprise while developing a greater agility to react to local and global market opportunities. These challenges are best answered with technology from Microsoft and its partners.

Microsoft-based solutions offer much-needed value to manufacturers that are under increasing pressure to generate greater returns on the assets that they have employed. This focus on efficiency scales across all the critical functional areas—from getting products to market faster to streamlining the supply chain, optimizing the manufacturing operations, and generating new revenue streams.

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