

On the Cutting Edge with IFS

Founded in 1927, Star Cutter Company is a world leader in the cutting tool industry, with nine manufacturing facilities producing seven product lines. The company also distributes and provides maintenance services for cutting tools, and provides thin-film coating services for both functional and decorative applications. The company's primary customers are in the automotive, agricultural, medical, aerospace, and defense industries. Star Cutter is a privately held corporation headquartered in Farmington Hills, Mich.



The challenge

Star Cutter Company was looking for ways to reduce costs, improve profits, and use information technology to bring its corporate headquarters and nine manufacturing facilities closer together. Management realized that the company's reliance on a variety of poorly integrated legacy systems was part of the problem.

"With different parts of the company using different systems, we were starting to develop tunnel vision," said David Olejnik, Star Cutter's director of information technology and purchasing. "For example, customers who bought cutting tools from us often were never informed about our coating services. That meant lost revenue."

Specifically, Star Cutter's management team identified six strategic areas for improvement:

- Costing
- Quote-to-cash process
- Sales per employee
- Cross-selling
- Customer service
- Decision support

The solution

Star Cutter engaged Deloitte & Touche LLP to help the company redesign its business processes and select a new enterprise software system that would help it meet its strategic goals. During a structured eight-month process, Star Cutter and Deloitte identified 130 critical requirements for the new system.

"Star Cutter wisely decided on a process-oriented approach to selecting the new ERP system—that is, they mapped out the business processes that would best meet their future needs before looking at the system alternatives," said Deloitte & Touche director Gary Carrington. "Our role was to help them define and understand where they wanted to take the business strategically, determine the appropriate processes, and then help them select the system that would best meet their business objectives."

After considering six ERP vendors, the company's evaluation team decided to purchase manufacturing, distribution, and financial applications from IFS.

"We chose IFS because we wanted to be able to deal with the technology producer directly," Olejnik said. "Also, IFS offers the latest technology and met our budgetary requirements."

Implementation

Working with technical consultants from IFS, Star Cutter implemented IFS Applications™ at its 10 sites in 180 days.

“We were very pleased with the implementation,” said Star Cutter IT manager Craig Lincoln. “We felt it went very smoothly given the tight time frame we were under. The team from IFS went out of its way to make this work.”

Benefits

Since implementing IFS Applications, Star Cutter has made great progress in achieving its business goals.

The new system allows the company to track product costs more accurately. For the first time, Star Cutter can track standard costs as well as actual costs. This enables management to identify and analyze cost variances and take immediate corrective action.

“Now our management and accounting personnel have real-time costing information at their fingertips,” Lincoln said. “And if we choose to switch to a different costing system in the future, we already have the framework to do that.”

Star Cutter’s sales force has begun analyzing data from the IFS system to identify cross-selling opportunities. Having real-time sales information makes this process much easier.

“In the past, our business planning processes were based largely on individual perceptions,” Olejnik said. “Now we can base our planning on actual numbers from the system, which are more timely and accurate.”

The company’s quote-to-cash ratio has improved. The accounting department has improved its processes to expedite the receipt of customer payments, resulting in improved cash flow.

Some of the benefits of the IFS software extend far beyond Star Cutter's strategic goals. For example, management is looking at ways to reduce inventory levels using data from the IFS system.

“This process is much easier than it was before because we have more information to work with,”

Lincoln said. “We can zero in on a particular inventory part, look at inventory turns, see how long the part has been sitting in inventory, and use this data to make better decisions that ultimately will allow us to reduce our inventory levels.”

The company has made extensive use of IFS’ output channels, which make it easy to export data from the system into a variety of formats.

“The ability to export data to Excel quickly and easily has been a tremendous asset, and we have used it throughout the organization,” Lincoln said. “For example, when account representatives correspond with customers, they can provide a detailed list of order information electronically.”

Star Cutter is also using IFS Business Modeler™ to model its new business processes, designed with the help of Deloitte & Touche, and integrate them with IFS’ online help. This will give the company a single set of process models that will satisfy both ISO requirements and the training and reference needs of internal users.

“IFS has given us more information about our company than we imagined,” Olejnik added. “We’re continually discovering new uses for this data, and the longer we use the product, the more benefits we’ll receive.”

Star Cutter’s success has already received independent recognition: The company was one of the recipients of Start Magazine’s 2002 Technology and Business Awards.

Software

IFS Manufacturing™, IFS Distribution™, IFS Financials™, IFS Business Modeler™

Hardware

Dell® PowerEdge® 6400 server, four 700-MHz Intel® Xeon™ processors, Microsoft® Windows® 2000 Advanced Server operating system
Oracle® database server, version 8.1.3