

# Drive Lower Costs With a Single Hosted EAM and Shared Services Strategy

*A multi-plant paper company replaced a variety of maintenance management systems and integrated procurement with its corporate system using a hosted enterprise asset management (EAM) application.*

*The paper company estimates savings of \$500,000 over five years using the hosted application and shared-services inventory system. It also has reduced inventories and has better leverage on its spend for high-volume items.*

Smurfit-Stone Container Corporation (NASDAQ: SSCC) is the industry's leading integrated manufacturer of paperboard and paper-based packaging. Smurfit-Stone is a leading producer of containerboard, including white top linerboard and recycled medium; corrugated containers; multiwall bags; clay-coated recycled boxboard; and is the world's largest paper recycler. In addition, Smurfit-Stone is a leading producer of solid bleached sulfate, folding cartons, paper tubes and cores and labels. The company operates more than 300 facilities worldwide and employs approximately 38,500 people.



Smurfit operated a variety of maintenance systems that were inefficient and not Y2K-compliant. In an effort to minimize costs and maximize reliability, the company set out to standardize its maintenance processes and systems throughout the 20-mill division. The strategic cost reduction initiative was later expanded with an objective to share mill inventory and procurement services with Corporate. A cross-functional team representing maintenance, inventory, purchasing, finance and IT was charged with finding the right solution.

## **The analysis**

Smurfit needed a system that met the following requirements:

- Standardize mills on a single enterprise asset management (EAM) system that would help drive cost reductions, improve asset reliability, and encourage workforce safety.
- Accommodate the different functional needs of several business areas with minimal IT support.
- Enable considerable process automation and streamlining in order to generate maximum operating efficiencies and rapid ROI.
- Achieve significant reductions in inventory levels by combining all MRO and corporate inventory into a single catalog with normalized data.
- Improve buying power by consolidating procurement, expediting, and payment services.

- Increase visibility across multiple facilities to foster the implementation of standard best practices throughout the organization.

### **Critical aspects of implementation**

Smurfit wanted to implement the new solution very rapidly at mills across North America. They also wanted to install a system capable of running on a central server and scalable enough to eventually support all 20 mills and more than 3,000 users. They knew they wanted to choose a best-of-breed maintenance solution that is comprehensive in scope and able to accommodate even the most complex business processes, rather than a system that is financials-centric, such as an ERP. And, they needed to exceed the value of an existing third-party integrated supply operation in order for the shared services model to gain favor with upper management.

After evaluating dozens of systems, Smurfit-Stone chose an Indus product as their single EAM solution. The Indus project team and implementation strategy were highly regarded, and the product met every business requirement and was very easy to use. Maintenance, inventory, purchasing, accounting, documents, projects, contracts, and accounts payable were targeted for implementation, along with supplemental tools. Process standardization and cost reductions were the immediate focus of attention. The hosted model and shared services strategy would be phased in.

### **Quantitative results**

Twelve North American mills and 1,800 users are now using the hosted Indus system, and the numbers are still growing. Smurfit-Stone is able to bring a paper mill with 300-600 users live within just three months. Upfront capital investments in software licenses, hardware, and technical support were significantly reduced by using a hosted model.

In addition, corporate IT staff reductions were possible because Indus manages the system. Standardized data and maintenance processes generated labor savings, increased machine uptime, and enhanced safety. Inventories are at their lowest level in years. All catalog content is integrated and duplicate items have been eliminated. Overstocks can be transferred between mills rather than purchasing new inventory. Corporate-level negotiated contracts and fewer total vendors have dramatically reduced inventory costs. Mill procurement professionals can concentrate on high dollar, non-repetitive transactions and spend more time planning inventory for shutdowns.

More than 97% of MRO invoices are processed through central services. The scanning of all invoices, contracts, and capital project records means that manual handling is no longer required. Greater efficiencies allowed a reduction in Accounts Payable headcount. The Containerboard Mill Division's Shared Services Development Team was honored with Smurfit-Stone's Performance Excellence Team Award for developing a viable shared services model that can be used throughout the company.

“Our company has conservatively calculated savings of \$500,000 over five-years now that we're using the hosted Indus application and shared services. We have also considerably lowered inventories and have better leverage on the spend for high volume items,” says Deby DeCramer, IT Manager, Smurfit-Stone Container Corporation.

Patrick J. Moore, Smurfit-Stone President and CEO, adds, “We were able to replace our integrated supply contract with highly automated shared services at significantly lower cost, with no loss in services and with no additional resources.”