

Case Study: Minerva Implements UNEX Holding's ERP

PERSPECTIVE

#CEMA19561

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IN THIS PERSPECTIVE

This IDC Manufacturing Insights study provides an independent view of a recent innovative and business changing implementation at UNEX Holding in the Czech Republic and Slovakia. At that time, UNEX's urgent need was to replace the current outdated software system and introduce the new one. The implementation was carried out by Minerva, who introduced the new QAD ERP system in all production sites of UNEX Holding. This study will provide a summary of the project.

Overview of UNEX Holding

UNEX Holding is a supplier of castings and forgings, weldments, and heavy steel structures for companies around the world. UNEX Holding's products weigh between 50g and 80,000kg, with more than 80% of its production being exported.

In 1993, state-owned company Unicovske strojirny was privatized and renamed to UNEX. In 1998, it gained a new majority shareholder, Bancroft Eastern Europe Fund, which entered into an agreement this year on the sale of the entire ownership interest to the company's managers in 2003. In 2005, ARCADA Capital became UNEX's sole shareholder and, in the same year, acquired Moravske zelezarny, an Olomouc-based company with forging facilities and foundries that complemented production in Unicov. To increase its production capacity, UNEX Holding acquired a new production site in Snina in Slovakia in 2007. In the last ten years, the company has been modernizing its production technology and has invested approximately CZK 1 billion.

The consolidated turnover of UNEX Holding (in the Czech Republic and Slovakia) was approximately CZK 2 billion in 2012, with approximately 2,000 employees (both in the Czech Republic and Slovakia) in three production sites.

IT Challenge Facing UNEX Holding

Back in 2004, UNEX felt that its existing ERP system, which had been in operation since 1994, was becoming cumbersome and technologically outdated and that change was therefore required. UNEX established that it could only continue with the system if it was

developed substantially. UNEX decided instead to implement a new modern ERP system.

In Q1 2005, UNEX issued a call for tenders and invited vendors to present their products for assessment. QAD and IFS products made it to the final round. Price was an important factor in the vendor selection process, as was experience with Sysklass and I2 Technologies solutions (which was stated as a requirement in the tender call). The combination of both aspects led the UNEX selection committee to choose Minerva as the winner.

Minerva understood the needs of UNEX and was able to deliver a material acquisition and control/management module, a sales module, a finance module, a controlling module, a management tools module, an HR module, and a maintenance module, all of which UNEX required.

With the benefit of hindsight, UNEX Holding could have stuck with its old ERP for a year or two longer. However, at the time, the company was undergoing a transformation process – namely, the acquisition of Moravske zelezarny in Olomouc – and it felt that a new ERP system would boost its chances of gaining new business opportunities and strengthening its market position.

UNEX Holding adapted its new ERP and payroll system to work with existing systems – including its advanced planning system from I2 Technologies and its Sysklass solution – and its datacenter, with all constituent parts connected.

System Implementation

The tender process for the new ERP system was conducted in Q1 2005. The new ERP system was first implemented in UNEX's production site in Unicov. The implementation, which was carried out solely by Minerva, took approximately nine months, with the system being put into operation on January 1, 2006 – the most significant milestone of the project according to UNEX. The transfer of existing data to the new ERP system was a part of the implementation process and involved the transfer of 81,000 articles and 80,000 working commands.

Due to the rather short time between the start of the implementation and the transfer of operations to the new system, only partial changes to UNEX's business processes were made. Once up and running, the system ran for three months under the vendor's supervision and was subsequently accepted for routine operation.

After the successful implementation in Unicov, UNEX Holding asked Minerva in Q1 2006 to implement the new ERP system at its new acquisition, Moravske zelezarny, in Olomouc. This implementation followed the same pattern as the one in Unicov, with the nine-month process concluding in January 2007. Finally, later that year, Minerva implemented the new ERP system at UNEX Holding's third

production site, in Snina, Slovakia, which was put into standard operation in January 2008. The implementation was undertaken by the same UNEX Holding's implementation team that completed the initial project and followed the same pattern.

Implementation Risk

Legacy Environment

The previous IT environment was based around an HP hardware platform running Unix and a Speedware database environment. The system provided complex support for the majority of technical departments in the company. The new QAD ERP system required a new HP server and uses a Progress database environment.

Situational Complexity

At the start of the project, UNEX created a team of key users and domain experts that worked together with the vendor's consultants on the evaluation of the system and gradually adjusted the environment. In UNEX's case, the implementation analysis was carried out on the fly, during actual implementation. User training began three months before the start of the new system. During that time, the implementation team also incorporated users' feedback into the system.

After UNEX Holding had evaluated the implementation process, it realized the high importance of management support to a successful implementation. The selection of experienced members of the implementation team was also important. UNEX Holding learned that general resistance to change can play a negative role during the implementation. In overcoming these challenges, UNEX Holding acknowledged the importance of communicating effectively with users about the new ERP system, its benefits, and the implementation processes.

IT and Business Transformation

Impact on the Business

The new ERP system implemented by Minerva brought UNEX Holding more accurate information from all areas in the company – production monitoring, production and operating costs, material handling, human resources, and others.

The ability of UNEX Holding's new ERP to provide more accurate information about the company's available resources and actual production capabilities resulted in a faster response speed in its interactions with its business environment than before the implementation.

In terms of security, the implementation brought no substantial security implications: The main security processes did not have to be reset, and the current operation of the ERP system is stable.

During the implementation of the system, a continuous survey among employees was carried out. Its results impacted on adjustments of the system, with high usability being the priority.

Over time, the new ERP system was gradually adjusted to gain the maximum benefit from the improved characteristics of the system, which, in turn, resulted in greater flexibility in UNEX Holding's operations and the company's interactions with its business partners and customers. The new ERP system also brought a slight reduction of costs due to UNEX Holding's more efficient operation.

Given the chance to carry out the process again, UNEX Holding would schedule a longer implementation period and employ a lengthier and more thorough analysis of the company's business processes prior to the implementation's commencement. UNEX Holding would also carry out more substantial initial system adjustments, relying more on Minerva's consultants' experience in order to minimize additional future system adjustments. In UNEX Holding's opinion, doing so would have prepared the system better for future system and technological innovations.

Conclusion

The new ERP provided UNEX Holding with more accurate information about the company's available resources and actual production capabilities, resulting in a faster response speed in its interactions with its business partners and customers than before the implementation. The amount of information gathered from the system increased, thus enabling more sophisticated data analysis leading to more efficient operations.

The main benefits of the new ERP system lie in UNEX Holding's greater market flexibility and slight reduction in costs. The implementation of Minerva's IT solution fulfilled UNEX Holding's expectations and, moreover, verified that it is possible to incorporate new manufacturing acquisitions, such as those undertaken in Slovakia, without substantially negatively impacting the operation of the company.

The successful implementation of QAD ERP in UNEX's production site in Unicov, which led UNEX Holding to continue its partnership with Minerva for the implementation of the new ERP system at the company's further two production sites, clearly demonstrates that Minerva has the expertise and capabilities to conduct trouble-free and successful ERP implementations in the manufacturing domain.

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