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| Microsoft Dynamics  Customer Solution Case Study |
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| Overview  **Country or Region:** United States  **Industry:** Manufacturing—Pulp, paper, and wood  Customer Profile  KapStone Paper and Packaging Corporation is a special-purpose acquisitions company focused on the paper industry. The company has 1,564 employees and generates annual revenue of approximately U.S.$800 million.  Business Situation  To prepare itself for growth through acquisitions, KapStone needed to implement a new enterprise resource planning (ERP) system.  Solution  The company deployed Microsoft Dynamics AX for its ERP solution and implemented Microsoft BizTalk Server to facilitate bidirectional integration with best-of-breed line-of-business applications, including Avantis Enterprise Asset Management.  Benefits   * Reduce costs * Ease IT management * Refine critical business processes * Support growth |  |  | “Compared to SAP, the costs of implementing Microsoft Dynamics AX and all-new line-of-business systems were as much as $9 million less.”  Todd Sain, Director of Application Design and Support,  KapStone Paper and Packaging Corporation |
|  |  | As an acquisition organization tasked with building a paper and packaging company, KapStone Paper and Packaging Corporation has enjoyed significant growth. While acquiring paper mills and other related operations, KapStone needed to implement an IT infrastructure that would revolve around an enterprise resource planning (ERP) system and best-of-breed solutions for specific needs. To do so, KapStone engaged Microsoft Gold Certified Partner Fullscope and deployed Microsoft Dynamics AX. By taking advantage of Microsoft BizTalk Server, KapStone supports bidirectional integration between its ERP system and four other systems, including Avantis Enterprise Asset Management. With the integrated solution, KapStone has reduced costs, saving as much as U.S.$9 million on implementation costs compared to SAP; eased IT management; enabled continuous productivity improvements; and supported growth. |
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Situation

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| “Microsoft Dynamics AX is really simple to maintain and modify with minimal resources. Although the standard IT cost for our industry is 2 percent of revenue, we run at 1 percent, which we would be unable to do without having a cost-effective solution in place.”  Todd Sain, Director of Application Design and Support, KapStone Paper and Packaging Corporation |

Headquartered in Northbrook, Illinois, [KapStone Paper and Packaging Corporation](http://www.kapstonepaper.com/) is a special-purpose acquisition company tasked with building an effective paper and packaging company. In addition to running its existing operations, KapStone’s primary business is purchasing organizations in industries relating to paper, packaging, and forest products.

Since 2005, the company has grown significantly though acquisition, with its first major purchase in 2007 followed by the purchase of the Charleston Kraft Business from MeadWestvaco in 2008. The Charleston Kraft acquisition added a paper mill; a cogeneration facility; a lumber mill; and five chip mills to KapStone, effectively tripling the company’s size. Today, the company is traded on the New York Stock Exchange, has 1,564 employees, and generates revenues of approximately U.S.$800 million per year.

Looking back on the company’s history, Todd Sain, Director of Application Design and Support for KapStone Paper and Packaging, says, “Our first acquisition did not include an IT infrastructure, so we were immediately challenged with putting one together—from ERP, order-to-cash, and capital maintenance, all the way to email and networking.”

Sain also notes that, “We realized that for us to be a nimble, growth-oriented acquisition company, we needed a solid ERP backbone that was easy to upgrade, required little customization, and would ease future acquisitions or divestures.”

Through acquisition, KapStone already had parts of such a solution in place, including two mills running SAP on an Oracle database and one mill running a legacy solution. Although expanding the SAP solution to other acquisitions remained an option for the growing company, the legacy solution did not, because it required a monthly transitional-services fee of $750,000 from its previous owner.

Regardless of the solution, however, Sain notes that it would need to support a “best-of-breed approach,” enabling KapStone to extend its enterprise resource planning (ERP) system with line-of-business applications specific to paper and packaging companies. And of the features in the line-of-business solutions, Sain found capital maintenance to be the most important. He says, “In addition to all the unique needs we need to support across operations, the biggest challenge in the paper industry is capital maintenance—and it’s our largest expense as a company.”

Solution

After considering several ERP systems, including SAP, KapStone Paper and Packaging Corporation chose [Microsoft Dynamics AX](http://www.microsoft.com/dynamics/ax). Explains Sain, “We chose Microsoft Dynamics AX over SAP because it was part of the Microsoft stack, offered robust financial management capabilities, and had a lower total-cost-of-ownership.”

Sain adds, “Even a big solution like SAP is not a one-stop solution. We would still have to buy additional modules and customize it—and the integration with it and other systems is complex and point-to-point. With Microsoft Dynamics AX, we gained a superior architecture that would ease customization and enable us to use Microsoft BizTalk Server to establish a service-oriented architecture and actually simplify our ERP model.”

Sain also found that the solution would support the company’s ongoing acquisition strategy. He explains, “The ease of integration with Microsoft Dynamics AX by using BizTalk Server and the Application Integration Framework provides a flexible, efficient platform to integrate new and legacy systems. Because of this, we are able to quickly integrate acquired assets into our ERP platform.”

**Deployment**

To deploy the solution, KapStone worked with Microsoft Gold Certified Partner [Fullscope](http://www.fullscope.com/). Fullscope initially deployed Microsoft Dynamics AX 4.0 in 2007 by using the [Microsoft Dynamics Sure Step methodology](http://www.microsoft.com/dynamics/support/implementation/success.aspx) and has since upgraded three of KapStone’s plants to Microsoft Dynamics AX 2009—a process that took six months and stayed both on time and within budget. As part of the initial implementation, Fullscope replaced SAP with Microsoft Dynamics AX at two mills, migrating all legacy data to the new solution over the course of a weekend.

**Core Functionality**

KapStone Paper uses Microsoft Dynamics AX for financial management, including accounts payable, accounts receivable, and general ledger, and for its human resources capabilities, which integrate with an outsourced payroll service from ADP. The solution also integrates with an outsourced railway service from QTS. Currently, KapStone has 120 concurrent users working with the solution. Users span roles from the company’s vice president, controller, and treasurer to accounts payables clerks at the individual mills.

Says Sain, “With Microsoft Dynamics AX, our employees have the tools they need to get information, whether it’s the ability to work in Microsoft Excel, the reporting wizard, or the built-in business intelligence tools. The solution is a definite improvement to what we had seen before with SAP, especially for the casual users who are not in the system all day.”

**Service-Oriented Architecture**

To supports its service-oriented architecture (SOA) strategy, the company takes advantage of [BizTalk Server](http://www.microsoft.com/biztalk). With BizTalk Server, KapStone supports bidirectional integration between Microsoft Dynamics AX and four best-of-breed solutions, including:

* Elixir—A plant-floor management system used for manufacturing, shipping, and order-to-cash.
* YardBoss—A raw-materials management system.
* LumberTrack—A lumber mill–specific ERP package.
* Avantis Enterprise Asset Management—An enterprise asset management (EAM) system used for capital maintenance.

BizTalk Server also facilitates electronic data interchange (EDI) between KapStone’s customers and vendors, helping in processes such as ordering, shipping, notification, warehousing, invoicing, and banking.

Enterprise Asset Management Up Close

For KapStone, the [Avantis EAM](http://iom.invensys.com/EN/Pages/avantis.aspx) solution plays a critical role. To deploy the solution, KapStone worked directly with [Invensys Operations Management](http://iom.invensys.com/), a division of Invensys. The Avantis EAM solution delivers real-time equipment performance, reliability, maintenance, and decision support information for all asset types. Keith Dee, Project Manager for Enterprise Asset Management at KapStone Paper, enthuses, “The Invensys Avantis EAM Solution did exactly what we needed it to.”

**Web Portals and Roles**

Extending access to ERP data, KapStone also takes advantage of the [Enterprise Portal](http://msdn.microsoft.com/en-us/library/aa855178.aspx) in Microsoft Dynamics AX. The Enterprise Portal provides reports, key performance indicators (KPIs), and travel and expense management functionality to employees via [Microsoft SharePoint Server](http://www.microsoft.com/sharepoint)–based web portals. In addition, a custom integration between BizTalk Server and American Express automatically uploads transactions into an employee’s expense report, saving valuable employee time and reducing the chance for error.

In most recent work, KapStone is deploying the [Role Center](http://www.microsoft.com/en-us/dynamics/using/ax-reference-role-center.aspx) functionality of Microsoft Dynamics AX to the Enterprise Portal. Based on an employee’s role, for example human resources or finance, the Role Center will provide related standard and custom KPIs, reports, and access to critical ERP information. KapStone is also currently deploying Microsoft Dynamics CRM. With Microsoft Dynamics CRM, the company will be able to draw on all customer and sales-related data from the underlying ERP solution to drive more informed sales and marketing efforts.

Benefits

By using Microsoft Dynamics AX extended with line-of-business applications as its key infrastructure, KapStone Paper and Packaging Corporation has established itself as a successful acquisition company. With the solution in place, the company has reduced costs compared to SAP and its previous legacy system, and supports easy IT management. In addition, even with $800 million a year in revenue, the company has fine-tuned its processes and laid a foundation for ongoing growth, which includes aspirations to grow more than twofold to $2 billion a year in revenue.

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| “We plan to grow to a $2 billion company; with Microsoft Dynamics AX, we have the scalability we need to do that.”  Todd Sain, Director of Application Design and Support, KapStone Paper and Packaging Corporation |

Reduce Costs

By building its IT infrastructure around Microsoft Dynamics AX, KapStone has reduced costs in a number of areas:

* **Implementation.** Based on its existing SAP implementation, implementation costs for SAP companywide would be between $10 and $15 million. Says Sain, “Compared to SAP, the costs of implementing Microsoft Dynamics AX and all-new line-of-business systems were as much $9 million less.”
* **Total support.** Ongoing total support costs for SAP in North America came to $5,537 a user per year. The solution based on Microsoft Dynamics AX, including Elixir, YardBoss, LumberTrack, Avantis, and BizTalk Server came to $2,371 a year. Across 120 full users per year, this comes to an annual savings of $379,920—around 43 percent.
* **Ongoing maintenance.** Compared to its previous solutions, Sain has found the ongoing maintenance of the solution based on Microsoft Dynamics AX to be considerably less. He says, “Due to the flexible architecture of Microsoft Dynamics AX, we feel our ongoing maintenance and support costs are 50 percent less than with previous solutions. Enhancements and the deployment of new modules, such as Travel and Expense, have required fewer resources than other solutions. We are able to perform the majority of changes by using in-house resources and supplement resources where needed with our partner, Fullscope. Other ERP platforms typically require large projects teams of highly specialized and costly resources.”
* **Transitional Services.** By moving off a legacy system that incurred transitional-services fees, KapStone realized an immediate savings of $750,000.

Ease IT Management

Even as a $800 million-a-year business, KapStone can keep its IT team lean. In fact, Sain only has one other full-time employee on staff—an X++ programmer for Microsoft Dynamics AX—and one part-time contractor. Says Sain, “Microsoft Dynamics AX is really simple to maintain and modify with minimal resources. Although the standard IT cost for our industry is 2 percent of revenue, we run at 1 percent, which we would be unable to do without having a cost-effective solution in place.”

By choosing Microsoft Dynamics AX over SAP, KapStone can take advantage of Microsoft SQL Server rather than an Oracle database. For Sain and his team, this has simplified IT management even further. He says, “There is no comparison to SQL Server in terms of ease of management and maintenance—it came with all the tools we needed, we can run it on a cluster, and it has great scalability. And the cost-of-ownership is much less than Oracle because we can go out and find good resources easily. In fact, we’ve avoided adding a full-time database administrator because, between me and my architect, we feel that we can handle almost anything.”

Refine Critical Business Processes

With its integrated solution in place, KapStone works diligently to drive continuous improvements to productivity. Currently, the company’s business analysts and internal user groups identify opportunities for improvement and engage in the architecture, coding, and testing phases of new developments. Says Sain, “We are constantly looking at ways to increase efficiency, and with our integrated solution of Microsoft Dynamics AX and line-of-business applications, we can refine a processes quickly.” For example, the company has recently fine-tuned the integration between Microsoft Dynamics AX and Elixir to deliver customer credit information to salespeople almost instantaneously. This has enabled the company to reduce its exposure to bad receivables. Says Sain, “By tightly integrating Microsoft Dynamics AX with our Elixir manufacturing system, orders can be stopped before they enter our production schedule due to customer credit issues. With the recent economic downturn, credit management became a higher company risk because of the reduced amount of credit available in the marketplace. With this integration, we can efficiently manage our credit exposure and closely work with our customers to quickly address issues.”

Support Growth

As a special-purpose acquisition company, KapStone sees ongoing growth in its future. “With Microsoft Dynamics AX, we can focus on growing the company efficiently and cost-effectively,” says Sain. “We were able to absorb a $500 million acquisition in less than year. We are confident that the more we grow, the more efficient our methodology will become. By using the Microsoft Dynamics Sure Step methodology, we were able to integrate assets on time and within budget. This gives management confidence that the company can remain nimble and support our growth strategy.”

Adds Sain, “We plan to grow to a $2 billion company; with Microsoft Dynamics AX, we have the scalability we need to do that.”

Microsoft Dynamics

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| Software and Services   * Microsoft Dynamics * Microsoft Dynamics AX * Microsoft Programs and Practices * Microsoft Dynamics Sure Step * Microsoft Server Product Portfolio * Microsoft BizTalk Server * Microsoft SharePoint Server * Microsoft SQL Server | Partners   * Fullscope * Invensys Operations Management |

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