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| Microsoft Dynamics  Customer Solution Case Study |
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|  |  |  | Openned the era of standard cost management and real-time production and inventory management Dynamics Header  global single instance ERP system |
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| Overview  **Country or Region:** Korea  **Industry:** Manufacturing  Customer Profile  Established in 1996, Piolax has grown into a large car parts manufacturer along with the growth of automotive industry in Korea.  Business Situation  The need of process innovation beyond the business automation came to the fore to let the company respond with agility to its internal and external management variables as the market coupling across the world and global economic uncertainty had been accelerated.  Solution  Its existing accounting-driven business system was insufficient to manage the accounting and logistics together efficiently. This made the company introduce the Microsoft Dynamics AX to overcome the limitations of its existing solution, as well as to gain the visibility and control over the business.  Benefits   * Gain visibility into the business flow * Data granularity and unification * Established the standard cost management system |  |  | “Piolax are expecting that it can determine where a loss or a profit is made by comparing planned cost and actual cost, when the standard cost system settles down”  General Manger of Planning Dept, Piolax |
|  |  | Piolax has grown into a large car parts manufacturer, supplying car components to automotive industry in Korea since its establishment in 1996. The company had been interested in enterprise informatization and made an investment since 2000s, which resulted in implementing foundation for business automation which was functioning the basic ERP. Meanwhile, it thought about the new level of process innovation in the late 2000s. To do this, Piolax championed ERP implementation with the aim of standard cost, offering management, etc. It determined domestic solutions were insufficient to meet its original objectives such as standard cost after reviewing several solutions and introduced Microsoft Dynamics AX. Working with AXI4CNS, it implemented the finest ERP as close as possible to that of large enterprise such as ensuring inventory transparency, real-time management and operation planning of production and materials, and the standard cost system introduction. |
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Situation

Car parts industry has had a pretty strong time along with the growth of automotive industry in Korea since 2000. Piolax continued its plus growth in 2000s, supplying components to automotive manufacturing industry in Korea since its establishment in 1996.

In the mid 2000s, the company attempted an automation of enterprise-wide business process including sales, purchase, cost, production through the D company's solution to meet flexibly its continued expansion. It has resulted in implementation of business foundation similar to that of large enterprise and growth of ability to support its expansion reliably.

In the late 2000s, the company has started to think about proceeding to the next step beyond the IT infrastructure automation. All companies in the world regardless of size and region had a common experience at that time; that is, the coupling in the world economy along with the globalization caused an economic uncertainty in the world. That made the innovation beyond the business automation the main issue of all companies.

Especially, companies which have business places both onshore and offshore needed the innovation at IT level to support predictive management to endure the shock caused by rapid changes in exchange rate and prices of raw materials. This big change in the market would bring new blood to the company: it has started to seek ways to improve its business.

It considered that it must be able to look transparently the sales, purchase, cost, production, and so on from the perspective of integration to overcome the limitations of process setting and systemization in the individual business unit level. And it determined that it must set the common criteria across the business including sales, purchase, cost and production, and standardize and optimize the procedures, orders and means based on it.

Piolax had the experienced experts join its organization to find the best solution prior to reviewing the introduction of a new system. This is because internal resources who understood well both IT and production business can complete the enterprise-wide system implementation such as ERP without trials and errors. ERP-savvy experts joined the planning division of Piolax, and then it got the next-generation system implementation going.

Solution

As the company began to implement ERP in earnest, it entered selecting solution in the early 2010. In so doing, Piolax reviewed several famous ERP solutions both home and abroad. The criteria applied to this selection was the ability of data processing about standard cost, master plan, inventory management, and so on. It was a question of how well data consistency could be achieved across the process including sales, purchase, cost, production, and so on, if the common criteria was applied.

The results suggested that there were limitations in domestic solutions. The company found that the reliability of domestic solutions is less than that of multinational companies' according to its research and internal assessment, even though it can handle the standard cost or master data processing using domestic solutions as well.

Microsoft Dynamics AX was picked up finally among ERP solutions of multinational companies. It has functional reliability for establishing a common criteria and standardizing and optimizing the procedures, orders and means based on it, adding the reasonability in terms of price.

In addition to selecting solution, Piolax has looked to select a partner as well. It recognized that excessive customization would ruin the system eventually. Thus it chose the firm which it gelled with the most in terms of mutual understanding and cooperation as a partner. The partner for consulting and implementation that Piolax selected finally is AXI4CNS. AXI4CNS is famous for its differentiated consulting capability and methodology. This firm has many procedures of large enterprises by core industry in Korea, and melts them into Microsoft's methodology, the Sure Step. Besides, it has broad understanding of various solutions including SharePoint as well as Dynamics AX and is flexible in responding to enterprise demands including collaboration and BI.

Piolax's partnership strategy has proven its effect through the results of the actual projects: it was able to minimize the customization. Piolax used the functions embedded in Microsoft Dynamics AX except the portion changed to be appropriate for Korean market such as surtax handling. Piolax split up the work of defining process and implementing system per the manufacturing, SCM and accounting module of Microsoft Dynamics AX. Regarding to the customization, it carried out only the additional development when a function which was not natively provided by Microsoft Dynamics AX was necessary and modified the features to meet the requirements of Korean market. This resulted in only about 20% of customization.

After the system implementation was finished, Piolax, as of April 2011, completed the settlement of accounts three times. Piolax signed with AXI4CNS the concentrated support agreement during the period of a cycle, not a general maintenance agreement. This is because Piolax recognized that for ERP, it is important to detect the problems to be repaired and stabilize the system sooner in the cycle for mid- and long-term cost savings and usability as well as to implement ERP.

Benefits

**Gain visibility into the business flow**

Where it differs from before opening ERP based on Microsoft Dynamics AX is that the business standard has been established. The company had the system foundation before as well. However, since the D company's solution was an accounting-driven package, it exposed limitations in immediately identifying the business flow and analyzing and assessing it across the enterprise, including weaknesses in data consolidation between inventory on book and actual inventory.

For example, the values each division entered were sometimes different in the past. In case of its existing system, it was difficult to use the same master and share the data in each business step including accounting, logistics and production, translating into low credibility. This is why the journal entries by production users could not be processed and closed automatically at a system level.

Now, Introduction of Microsoft Dynamics AX makes the data view more clear and speedy. The business flow is reveled clearly after ERP implementation.

This is because the company connected the basic modules including accounting, logistics and SCM based on Microsoft Dynamics AX to improve the inventory transparency, and combined well the native functions of ERP and additional components for real-time management and accurate planning.

**Data granularity and unification**

With the Microsoft Dynamics AX, Piolax defined the master data based on the unified criteria, resulting in lookup and analysis at a deeper level which it could not reach in the past.

D company's solution that Piolax used was not sufficient to apply the concept of master to the standard data setting. Microsoft Dynamics AX, however, has a great number of masters that can be divided into tables. This means that it can structuralize the information related to products, inventories, materials, price and so on in depth. In addition, because of this project, Piolax standardized the product numbering system and code.

It is also notable that data usage has increased from a user point of view. From a production point of view, the introduction of Microsoft Dynamics AX made some works simplified and some data entry works increased. However, the production users welcome ERP, because they are informed of the merits of it in the future.

And indeed, Microsoft Dynamics AX is more complicated and has more steps compared to other domestic solutions. However, it means it makes data usability higher rather than works that users have to do more. Clearly recognizing this, Piolax tried to remind users the advantages that they can extract and see the data which they could not see before due to the fragmented working steps and more data entries.

**Established the standard cost management system**

The important effect of Microsoft Dynamics AX introduction is that the company took its first step into the standard cost management called the flower of cost management. It is to put the foundation on which all divisions in the company including production, materials, purchase and sales can share and use the standard cost system. Piolax changes the standard cost filed in day end close into the actual cost because it has to report the actual cost according to the tax law in Korea. One of its main reasons for adopting the standard cost is its significant effect.

Piolax are expecting that it can determine where a loss or a profit is made by comparing planned cost and actual cost, when the standard cost system settles down.

Piolax expects that it can use the cost management as a baseline of strategic and quantitative indicators in use of tools and techniques for improving all businesses related to manufacturing, and the seamless global business collaboration with the head office is able to be possible in the future. Inheriting the standard cost system of the headquarter in Japan with this project makes sharing and analysis of the information about cost structure and profit structure easier, which results in opening new opportunities for the company to make a decision to gain profits.

**Microsoft Dynamics**

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| Software and Services   * Microsoft Dynamics | * Microsoft Dynamics AX |

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