



About SAPPI North America

Year Founded
1854

Industry
Paper Manufacturing

Headquarters
Boston, MA USA

Manufacturing Cost: The Hidden Process Variable

Pulp and paper mills have made great progress in updating their technologies, providing better process visibility and control. Key processes run more smoothly and "good tons shipped" are on the rise. However, visibility is still cloudy into one critical variable - manufacturing cost. In today's real-time environment, monthly summaries are no longer enough. Managers want more timely and accurate cost information, at a level of detail that provides them useful insight, and enables effective action. "Profit is still the difference between revenues and costs," says Mark Dudinski, manager of operations analysis at the North American division of the SAPPI fine paper group (formerly S.D. Warren). "A lot of money can be saved with accurate and actionable cost information."

Modernizing Antique Costing

Two years ago, the division faced a difficult costing problem. "Our technology tools were outdated and the costing methods differed between mills," says Dudinski. "Our managers just didn't have good cost visibility. We needed a costing software package that we could use throughout the company."

The software had to be flexible enough to model four very different mills with different product structures. Microsoft compliance was also a must, since MS Office applications (such as Word, Excel and Access) are used throughout the company. Most important, the new tool had to provide costing data in sufficient detail to enable management insight and action.

After thorough evaluation, the company selected Impact:3C™ costing system, from 3C Software of Atlanta. "In addition to meeting our specified needs, the 3C software seemed to most closely fit the unique requirements of process manufacturing," adds Dudinski.

A New Costing Vision

"The architecture of most cost accounting software systems used today was created 20 or more years ago," says Peter Tezza, founder and CEO of 3C Software, and a pioneer in product costing software. "We formed 3C Software to bring cost accounting applications to the same high level of technology seen in the other manufacturing software packages," says Tezza.

Impact:3C has a Windows-based, object-oriented design; a user-friendly, client-server architecture; and an open communication path to other systems. "It provides an easier, more flexible way to manage costs," adds Tezza, "providing everything from quick overviews to an easy drill-down capability showing great levels of detail."

At the heart of Impact:3C is "CostTalk," a powerful costing engine. "This engine is like a giant calculator," says Tezza, "equipped with all of the mathematical relations and calculations needed to design a modern pulp or paper costing system." CostTalk allows companies to design the right costing model for their mills, in as much detail as necessary. It freely communicates with other software applications (such as Word, Excel, Access, roll-tracking, general ledger and process information).

"We already had developed some useful Excel spreadsheets," says Dudinski, "so we write Impact:3C data into them, do the spreadsheet calculations and then send the results back to Impact:3C for final calculation."

Eventually, the Excel spreadsheet work calculations will be replaced with Impact:3C calculations. 3C Software also has a relationship with SAP for supplementing its enterprise resource planning (ERP) costing capability; and with OSI Software for real-time costing using the PI process information system.

New Costing is Right on Track

SAPPI sent a large group to the 3C Software training program in Atlanta. "As a group we

had the company knowledge, and after a week of training we understood the tool and how to apply it to our needs," explains Dudinski. The group then went to work designing costing models for each mill. The entire cost system was rolled to the mills during the last quarter of 1997.

"It's a solid analytical tool that readily communicates with other software packages," says Dudinski. "We now do 'what-if' cost analyses more quickly and accurately. We've also expedited our budgeting process, with the data coming from various software sources." All the data sources are assembled and mathematically processed in the calculation engine, and the results sent to various users on the company network.

Dudinski also notes the importance in forecasting. "While we do show cost history, we really want our operating managers to know what a product will cost in the future so they can take effective actions," he adds. Ultimately, the company will move to real-time costing so control room operators can see the cost implications of their process management decisions.

Through the new costing software, division people will start to see costs as another process variable that must be considered when making operating decisions. The "hidden variable" will be made visible, enabling people to make better decisions throughout the company.

To learn more about ImpactECS and discover how it can help your company produce results, call 800-226-2036 or visit us online at www.3csoftware.com.