



CLOSING THE GAP AT CARTER HOLT HARVEY – PULP AND PAPER

Oxygen's implementation of SAP's Strategic Enterprise Management has revolutionised forecasting at Carter Holt Harvey by closing the gap between forecast and actual results.

Carter Holt Harvey – Pulp and Paper (CHH) is using Strategic Enterprise Management to see clearly what decisions need to be taken at every step to ensure that 'forecast' always becomes 'actual'.

CHH divides its forecasting variables into two groups – those it can't influence, such as exchange rates, and those it can influence.

SEM tracks the variables that can't be influenced, and feeds them into simulations that show their precise effects on forecasts. While it can't change them, CHH knows exactly what effect they are having.

SEM also tracks variables that can be influenced – such as manufacturing inputs

– and simulates their effects on forecasts. This enables CHH to see the effect of its decision making on forecasts, and most importantly, to make any necessary interventions in time to achieve forecasts.

"It's common for businesses to make a forecast, then later compare that forecast with what has actually been achieved," says Raymond McNickle, CHH Business Improvement Manager.

"The problem is that by then it's too late to do anything about it. Using SEM in this way means never having to look backwards and say 'I wish'."

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“We’re using SEM to create a forward view of our progress towards achieving forecast. We can see exactly what we need to do or change in order to stay on track.”

Raymond McNickle, CHH Pulp and Paper Business Improvement Manager.

THE BUSINESS CHALLENGE

- Eliminate gap between ‘forecast’ and ‘actual’ results
- ‘Rear view mirror’ powerless to change what is already done
- Forecasting done at high level by a small group
- Averaging disallows exact match between forecast and actual results
- Spreadsheet-based planning necessitates oversimplifications
- Need to strengthen links between production & sales

THE OXYGEN SOLUTION

- Deploy SAP SEM as a powerful forecasting tool
- Interfaces to non-SAP manufacturing and mill optimisation systems
- Simulate impacts of non-controllable variables on forecasts
- Identify controllable variables causing deviation between ‘forecast’ and ‘actual’ in time to take corrective action

- Broaden forecasting participation and increase visibility
- Logarithms allow business to select any level of planning detail
- Identical report format for both ‘forecast’ and ‘actual’
- OLAP/relational database gives five-dimensional view of business

RETURN ON INVESTMENT

- Business knows what actions to take in order to meet forecasts
- 18-month rolling forecasts replace 3-month forecasts
- ‘Rear view mirror’ replaced by forward view of the business
- Clear view of how every decision will affect forecasts
- Knowledge of how uncontrollable variables will affect forecasts
- Clear view of inventory levels, and the effects of adjusting them
- Sales drive production

CUSTOMER PROFILE

ANNUAL REVENUE: AU \$3.2 billion

BUSINESS PROFILE: Carter Holt Harvey is a leading Australasian wood-fibre manufacturing company, supplying the New Zealand and Australian markets and exporting throughout Asia and around the Pacific Rim. Carter Holt Harvey is listed on both the NZSE and ASX, and employs more than 10,000 people across New Zealand and Australia.

Pulp & Paper – a division of Carter Holt Harvey – is Australia’s only producer of kraft market pulp, and a leading producer of kraft liner board and fibre cement pulp. Pulp & Paper has assets of over one billion dollars, employs 1035 people, and has annual revenues of \$735 million.

KEY IT SUPPLIERS: Oxygen Business Solutions, SAP, Microsoft, Sun, BMC, Oracle.

ERP SYSTEM: SAP 4.5b

NUMBER OF SCREENS: 5,000 +