

IT Backed By Team Spirit:

# Henkel CAC's Formula For Success



It is one thing to buy the latest IT tools for your business, but quite another to make the implementation a success. Henkel CAC, a Mumbai-based manufacturer and exporter of laminating adhesives and extrusion primers, is an example of a company that has worked relentlessly to ensure that every new technology becomes part of its eco-system and delivers value.

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*"If we're growing, we're always going to be out of our comfort zone."*

*— John Maxwell, the American author and motivational speaker*

Since its inception in 1984, challenging the existing order has been the guiding principle driving the Henkel CAC ( Adhesive Industrial - Laminating Business) team to scale and diversify. Founded by Dr Ravi Talwar, M D, Henkel CAC (formerly known as Converter Adhesives And Chemicals Pvt Ltd), has evolved to become one of the largest suppliers of laminating adhesives to the country's flexible packaging industry.

Dr Talwar started out modestly with a team comprising just a handful of people. The company's small unit, however, grew into a strong business entity over time, capturing (as per data shared by the company) over 50 per cent of the domestic market. Since its very inception, the company believed in adopting the best of technology tools and practices to constantly come up with new and re-engineered products, tailor made for specialised applications and for cost effectiveness, says Avinash Nirgude, Manager—Application System, Henkel Information Technology. This has helped in

meeting the ever changing needs of the packaging industry, he adds. Currently, the company has expanded to three plants in the same location, with its factory in Navi Mumbai and head office at Nariman Point, Mumbai. It also has nine sales depots across the country to service region-specific customer orders.

### The technology expense

Over time, Henkel CAC has established a strong technology infrastructure. Equipped with state-of-the-art machinery, the factory sites are completely automated units, having distributed control systems that work via programmable logic controllers (PLC). This has enabled engineers to control and monitor the site, remotely, from the control room, over the Net. There is a thrust towards using technology to make eco-friendly products that conform to the various quality and environment standards applicable in the domain. For example, Henkel CAC used to manufacture solvent-based adhesives earlier, but now it makes solvent-free adhesives that are environment friendly.

Apart from this, modern day communication tools like video conferencing systems, teleconferencing solutions and IBM Lotus Notes have been adopted to conduct meetings between employees across regions, in real-time. Henkel has a separate IT security department. To ensure secure networks, it has implemented a VPN\* (virtual private network).

*[An organisation's VPN comprises the local area network, which is made up of a group of computers within the organisation premises or across its different branches—connected to each other for the purpose of communication. The other type is a wide area network through which the organisation communicates with the world outside, over the Internet.]*



Avinash Nirgude, manager-Applications Henkel IT, Mumbai

**“We decided to go in for a comprehensive ERP solution, which could integrate all data on to one platform.”**

This network is secured under SSL (secure sockets layer, which is a commonly-used security standard to manage the security of communication happening over the Internet). Henkel's networks can only be accessed by users using Cisco VPN.

Entry to the server room is controlled via biometric solutions. A similar system is in place for employee check-ins. For the security of the manufacturing unit, CCTV (closed-circuit TV) cameras have been deployed. The depots are connected to the factory site and headquarters via the Henkel network. Most employees have laptops through which they access the Henkel CAC network even when they are on the move.

The employees at the depot make use of a Web-based depot management system application to access the ERP solution. To train and orient the depot staff, from time to time the Henkel teams at the factory site or HQ make presentations to the depot staff through IBM Lotus Notes\*.

*[\*IBM Lotus Notes is a business communication solution that allows users to collaborate via e-mails, instant*

### About Henkel CAC

Dr Talwar's Converter Adhesives and Chemicals became a part of Henkel Worldwide Network in 2005 and was renamed Henkel CAC Private Limited. The manufacturing facility is located at Navi Mumbai and has a current capacity of approximately 14,000 metric tonnes per month.

*messages, calendars, desktop documents and presentations, in real-time.]*

Henkel CAC invests over Rs 70 lakhs on maintaining and upgrading its IT infrastructure. The company has a four member IT team, headed by Avinash Nirgude.

### Challenges that crop up while scaling up

Apart from interesting hardware gadgets and communication solutions, from the very beginning, Henkel CAC has been using software tools to streamline operations-related work flow. Till 1999 it used FoxPro-based software tools to automate different transaction processes. But as the company scaled and operational complexities grew, it began looking for a solution that could help streamline its processes in a more coherent and transparent manner, and that too, in real-time.

Nirgude recalls the key challenges that led the company to look for better options: "Data was not integrated and information across departments and units existed in silos. It was difficult to achieve transparency in operations. In order to get rid of all these issues, we decided to go in for a comprehensive ERP solution, which could bring all data on to one platform." After a lot of consideration and market surveys, the company zeroed in on Ramco's *e.Applications*—a full ERP suite.

Sharing the key reasons that made the company choose the Ramco ERP application, Nirgude says: "Being an Indian company, Ramco could understand our requirements very well. The implementation team and support was readily available in India. The company understood the statutory requirements and the cost of implementation and support was low when compared to other solutions." In the pre-implementation phase, the Henkel team also spoke to many Ramco customers before taking the plunge. Suresh Shakkwar, regional manager—Implementation and Support, Western Region, Ramco Systems, recapitulates observations from this phase: "The mapping of the requirements was done through the business process study at the site by Ramco consultants after an analysis of existing documents, reports and discussions with the key user groups at Henkel CAC."

### **The Ramco-Henkel CAC partnership**

The team at Henkel worked very closely with the Ramco team during the pre-implementation process. A study was done to evaluate how well the ERP solution fitted the organisation's requirements. Shakkwar explains how this match-making was done: "Every company has unique methods of working, however the underlying processes are more or less in line with standard business processes. The uniqueness is generally in terms of a few additional reports required. The functionality available in the base product was sufficiently rich to cater to the functional requirements of our company as we follow best business practices. A few extensions were designed to take care of the requirement for additional information."

**From a Rs 80 crore company in 2000, Henkel CAC has crossed the 200 crore turnover mark with the same number of employees.**

Ramco supports further customisation of the base ERP system through an enhanced development kit (EDK), available along with the ERP solution. "Using this functionality, we have been able to regularly add features to the base product as and when a business requirement has arisen. We have developed local tools (like Ramco Report Writer, D-Cubes etc) to match the results of different modules," says Nirgude.

### **Making the ERP system a success**

The ERP implementation process at Henkel CAC was always top-driven. The MD drove the initiative with zest and carefully devised strategies, states Nirgude. A key user group, comprising functional heads from each of the key departments, was constituted. This team met every day to assess the requirements and progress during the process of implementation. The issues were resolved on a daily basis. The MD conducted a weekly meeting to take stock of the progress made and the roadblocks, if any. Shakkwar recalls the strategy that the company adopted to deal with the transition challenges: "During the *Go Live* phase, getting online swiftly, after completing the backlog transactions from the legacy system, had become crucial. Thus, the management focussed more on completing the backlog of entries."

This was the most challenging phase as it required the employees concerned to match entries in the old and new systems, every day, says Nirgude. The process was time-consuming, yet critical. But the IT team and the key user groups took total ownership of the process and put in enormous effort to make the ERP system work like a well-oiled machine. "The amazing leadership provided by the top management has created an example of how the use of technology creates value for the business," affirms Shakkwar.

### **Monitoring Rol**

Henkel CAC spent around Rs 40 lakh to get the ERP system in place. This included the cost of the ERP solution as well as the servers deployed to run it. Considering that the company was smaller, with a turnover to the tune of Rs 80 crore, this was a big step. Nirgude recalls, "At that time, the amount was too huge for the company; everyone was told that it was a big step that the company was taking and had to work hard to take this initiative to fruition."

But has the ERP system delivered? Nirgude says that although the company didn't get into any serious ROI calculations, the change—both tangible and intangible—that the ERP system has brought about in the manner in which the company functions indicates that the ERP system has not only recovered its cost but has also added significant value to the organisation's way of functioning.

Nirgude highlights a few outstanding benefits:

**"Real time access to data:** Earlier, our depots used to send us the invoice and the data was fed into the systems at the HO. But now, using Ramco's Web-Based depot management application, employees at the depots can feed in

the details themselves and process the transaction, while people at the factory and HQ can view the related data, over the Web. Now, information from across locations and departments on sundry debtors, creditors, profit and loss accounts, etc is available for view, online, at the click of a button.

**"Scaling-up with fewer resources:** From a Rs 80 crore company in 2000, Henkel CAC has crossed the 200 crore turnover mark with the same number of employees. This has been possible only because of better management of resources and transparency in the work flow. Currently, the company is growing at a rate of 25 per cent year-on-year, with the same resources. Besides, today we have three plants, compared to 2000, when we had just one.

**"Organised work flow:** All the data is online, and gets updated and reconciled every day. Hence, there is no month-end or year end pressure. We don't face any audit-related issues. The biggest change that we have observed is, earlier we used to spend over 12 hours a day at work to keep our books and data updated. But post ERP implementation, everything has got so organised and easy to process that every one is able to wrap up work and go home, on time.

**"Setting standards for others to follow:** The success of our ERP implementation can also be assessed from the fact that, going by our example, one of the other three entities of Henkel Adhesives India has already implemented Ramco's ERP solution and another deployment is soon to begin at yet another Henkel firm."

Nirgude however shares the one lacuna that he observed in the ERP system: "There are two accounting years for organisations; one is the corporate financial year, which is from January to December and another is the financial year, which is from April



Suresh Shakkarwar, regional manager—Implementation and Support, Western Region, Ramco Systems

**"The amazing leadership of Henkel CAC provided by the top management has created an example of how the use of technology creates value for the business."**

to March. Financial postings in both the books are different, but these also need to be matched. In Ramco's base product, there is no functionality for maintaining two books of accounts. Hence, we have addressed this requirement by developing the feature using the EDK (enhanced development kit) facility."

### Change management issues

When the ERP system was taking root within the organisation, the Henkel CAC management knew that the initial unrest and the increased work load that resulted, could make employees resistant to change.

Nirgude narrates how this challenge was addressed: "In the legacy system, transactions were very limited; but when the new system came into effect, some departments' work increased. Another factor that contributed to this increase in work load was that initially we were running two systems in parallel. This necessitated matching the opening and closing balances generated by the

new ERP system and the old FoxPro-based system. Getting this data at the right time and in the right format, was a challenge. To deal with this situation, we took all our employees into confidence and told them that though initially they might be required to do a little additional work, once things got online, their work also would get streamlined and become a lot easier. And this clear channel of communication with employees, helped."

As and when new members join the organisation, members of the key user group train them to work on the ERP system. Whenever there is a change in business processes, the members of the key user group give a presentation, which is followed by a Q and A session to address users' doubts. The Ramco team also helps by extending extensive training to the functional heads and employees, Nirgude adds.

### Going forward

Henkel CAC has been consistently maturing as a technology-driven unit and in the future it plans to build on its existing competence. Plans are on to integrate the ERP system with an SMS gateway to enable the on-the-move work force to access the ERP system via their mobile phones, as well.

Another plan in the offing is to integrate the Ramco ERP system with the Henkel Group's SAP ERP solution via a gateway to enable the seamless exchange of information, as there are reports that need to be sent to the parent company in a specific format and terminology.

The company also has major expansion plans to keep its dominant position in India and the global market, reveals Nirgude.

Considering Henkel CAC's sustained use of technologies to scale-up its efficiencies and grow, it seems all set to achieve even greater milestones. ■