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Robert Ostroga,
President
Onsrud Cutter

Router Bit Manufacturer Installs Full-Function Enterprise Resource Planning System in Four Months

Onsrud Cutter, a major router bit manufacturer serving markets worldwide, was dropped by its application service provider (ASP) and faced the problem of finding a new source for manufacturing software in a short time.



What made the challenge even more daunting, Onsrud decided to replace its entire enterprise information system in that same time. They wanted a system that would be quick to install, yet have the scalability and flexibility to support company growth. The problem was that with most enterprise software, high flexibility and quick installation are mutually exclusive.

Assessment and Evaluation Process

Onsrud conducted a thorough needs assessment, evaluated software packages, tested demos, and made onsite visits. They wanted software that would:

- Produce timely, customized reports to facilitate more-informed business decisions
- Supply real-time information, particularly for customer service representatives
- Offer enhanced e-business capabilities

Onsrud selected Sage ERP X3 Enterprise software system. "Sage ERP X3 is a powerful, flexible system that we won't outgrow," said Robert Ostroga, president of Onsrud Cutter.

Onsrud Cutter, headquartered in Libertyville, Illinois, has been a leader in router bit manufacturing since Oscar Onsrud invented the router in 1920. It supplies standard and custom designed high-speed steel, carbide tip, solid carbide and diamond router tooling to manufacturers of aircraft, boats, furniture, cabinetry, and other plastic, wood and composite products worldwide.

The Implementation Process

"Onsrud uses much more functionality in every area of its operations – from shop floor to warehouse to sales – than most midsize companies," said Rich

Burns, Sage's vice president, Sage ERP X3 North American Development. "Most companies its size focus their IT efforts on one specific area, such as sales or manufacturing."

For example, the company uses complex pricing formulas, differentiating prices for its nearly 1,800 standard products by customer, territory, and tool type. Sage ERP X3 gives midsize companies advanced pricing customization capabilities. With Sage ERP X3, a company can automatically discount an order involving multiple variables. Most enterprise management systems make users manually reprice each item or enter multiple orders.

The Sage system's extensive parameterization gives Onsrud the flexibility to give a customer a price break based on the number of items purchased from a broad category, e.g., solid carbide cutters, or based on the total value of an order for different items within a category. Traditional systems can process discounts only for a specific item.

"Sage ERP X3 successfully balances flexibility and ease of implementation," said Burns. "Its level of parameterization gives a midsize company like Onsrud an ability to fine-tune the business processes that give it competitive advantage equal to or greater than that of packages designed for large corporations – but without the complexity that can make implementations drag on forever."

Reporting capabilities were also an important factor in Onsrud's choice. "We didn't want standard reports and inquiries," said Ostroga. "We wanted to be able to generate any kind of report we need and to drill down into the data from any point." Because Sage ERP X3 has tightly integrated Crystal Reports with its software, each of Onsrud's key reports and inquiries were ready to go at system cutover.

An important part of Onsrud's decision to select Sage ERP X3 was the ability to perform finite capacity planning to help resolve critical bottleneck work areas.

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Shop floor scheduling was a manual process with the previous system. Onsrud produces a number of products that are routed through different work centers or machines, but which often flow into a common area. For example, carbide tip and steel bits flow through different work centers, but end up in the same finishing area. This resulted in bottleneck situations that were difficult to resolve manually. By utilizing the Sage ERP X3 capacity optimization engine, Onsrud can filter out non-bottleneck work centers so schedulers can focus on optimizing known problem areas.

"We began installation in late August," said Ostroga. "On January 2nd we were checking stock, shipping product, and issuing invoices with Sage ERP X3. Customers never knew the difference."

Sage ERP X3's import/export templates simplified the installation. They enabled the systems integrator, Business Technology Partners, to convert every key master file and open transaction from Onsrud's previous system to Sage ERP X3, which minimized re-keying and cut significant time from the implementation schedule.

Even more remarkable about the four month turnaround is that Onsrud ran nearly every function in the Sage ERP X3 suite on day one – from sales quotes, sales orders, MRP, work order processing and quality control to purchasing, returns management and accounting, which allowed them to take full advantage of the completely integrated nature of the application.

"We understood that it was a challenge to squeeze what would, in the best case, have been a six-month project into four, but we have extremely technically competent managers at Onsrud, and the people from the systems integrator and the Sage ERP X3 team were top-notch," said Ostroga.

Future Initiatives

- A fully integrated, easily customized Intranet and Extranet
- Flexible APIs to facilitate enhanced customer interactivity via storefronts
- Workflow management via the Internet
- An efficient decision-support tool that provides quick access to data company-wide

Onsrud plans to have a complete e-commerce channel within a year, enabling customers to check stock and review their payment histories online. Sage ERP X3 will support Onsrud's e-commerce initiative with a number of easy-to-use features:

With a solid scheduling, transaction, and information system backbone in place, Onsrud is well positioned to make this strategic move without experiencing the daunting challenges that it faced earlier.