

TRADITIONAL COMPANY GETTING READY FOR THE FUTURE - A PROCESS DRIVEN IT-TRANSFORMATION

Challenge

With ever growing internationalization and thus tougher competition, it became clear to Kneipp that its existing businesses processes, ERP and integration solutions were becoming inadequate. Kneipp wanted to improve transparency and business control across the entire enterprise. The well-established company also needed a more efficient way of monitoring its business processes and reacting quickly and flexibly to changes in the market.

Solution

Kneipp initiated a multi-year, phased transformation to become a process-driven organization and improve their business flexibility. With Software AG and IDS Scheer on their guiding team as key business partners, Kneipp has been able to streamline their organization into three main business processes—and these processes are transparent enterprise-wide. Using the ARIS Platform and the webMethods Business Process Management Suite (BPMS) has enabled Kneipp to realize faster product innovation and build new sales channels, including an online store. In addition, they now have end-to-end control of their business processes across the entire enterprise—and processes are directly integrated with their business partners using webMethods B2B technology.

Benefits

- High-performance, automated EDI exchange with business partners enhances service levels
- 30% reduction in effort for new product launches
- Robust, fast processing of 2,000+ orders per day
- Increased customer & partner satisfaction
- Realization of an end-user online shop with direct ERP integration
- Significantly improved innovation capabilities and time-to-market



The health pioneer Sebastian Kneipp's lifelong study of naturopathic medicine formed the foundation in 1891 for the origin and development of the Kneipp Group. Headquartered in Würzburg, Germany, today Kneipp is an international operation with subsidiaries and distribution partners in over 22 countries and 700 employees worldwide. A modern health brand with traditional values, Kneipp distributes its high-quality pharmaceutical and dietary products, body care and bath products in many countries around the world.

Get There Faster.™

“Using the ARIS Platform and webMethods has enabled us to integrate our R&D, production and logistics systems with our central SAP ERP—and helped us achieve end-to-end control of all our business processes.”

Christian Schulze | CIO and Member of the Board | Kneipp, Germany

Kneipp: a superior brand since 1891

For over 120 years, the Kneipp Group has harmonized the legacy and holistic philosophy of its co-founder and namesake Sebastian Kneipp with modern healthcare production and distribution methods. The results are clear for all to see; today Kneipp is an internationally well-known brand that operates in over 22 countries. They have received the “Superbrands Germany” award multiple times, selected as a top 100 German brand by a high-profile jury based upon brand dominance and value, customer loyalty, longevity and overall brand acceptance.

A challenge to transform

Along with the continuous expansion of their international business since 2001, Kneipp has had to correspondingly increase their supply capabilities and reduce their product processing times. However, their complex range of products was stretching the limits of the business processes they were using, and this meant that it was taking Kneipp longer than necessary to implement new formulas.

With process thinking that was more department-oriented and procedural knowledge and best practices essentially undocumented, “the sequences were practically being reinvented over and over again,” said Kneipp CIO and Member of the Board, Christian Schulze. “In addition, due to the ever-increasing international nature of our business,” he continued, “our existing ERP solution was not meeting our changing needs for fast and transparent intercompany communications between our 6 subsidiaries and more than 40 distribution partners.”

“Like Fred the Penguin in the Change Management bestseller *Our Iceberg Is Melting: Changing and Succeeding Under Any Conditions*, we recognized that we were sitting on a melting

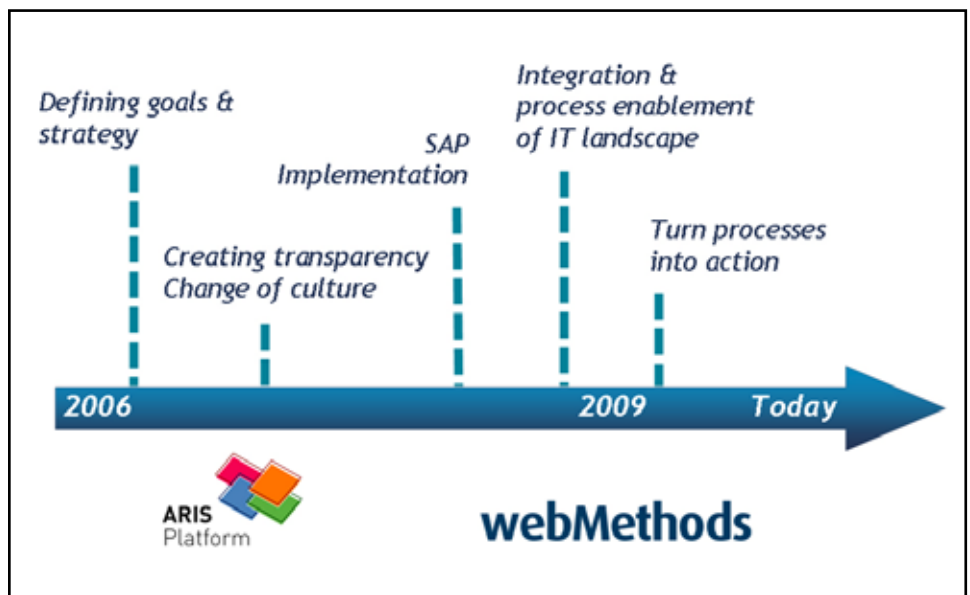
iceberg and urgently needed a long-term alternative,” said Schulze. For their new, future-oriented foundation, Kneipp launched the “Penguin Project,” a multi-year, phased transformation with the main objectives to:

- Make their business processes transparent enterprise-wide
- Change their culture from department-based into an end-to-end process orientation
- Implement standard capabilities using SAP ERP
- Execute critical business processes more effectively, e.g., product launch & elimination
- Enable faster product innovation
- Build new sales channels, including an online store
- Integrate their processes directly with business partners

Complex but on SME budget

Kneipp defined a “Model-to-Execution” roadmap (Figure 1) that outlined their long-term goals and strategy. This was critical to their success because with a product range that spans over 30 production types (e.g., bath oils, lotions, sprays and teas) and a manufacturing process that incorporates 170 different plant extracts, minerals and vitamins, Kneipp’s business complexities are quite similar to a much larger enterprise. Yet Kneipp operates on a small-to-medium enterprise-sized budget in order to stay competitive.

To achieve the common process-oriented operations view and enable quicker product delivery, the “Penguin Project” needed to engage the entire Kneipp enterprise. As part of their guiding team, Kneipp selected Software AG and IDS Scheer as key business partners for their combined consulting and software capabilities, including the ARIS Platform and webMethods technology.



Kneipp Group's "Model-to-Execution" Roadmap

Vital: systematic process evaluation

The first tasks at the beginning of the project were to replace hand-drafted working instructions and department-bounded thinking with modeled processes and documented end-to-end relationships—and here the ARIS Platform and IDS Scheer consulting model played an important role. By systematically analyzing each process, for example the supply process, it becomes clear which sub-processes have disturbing factors and these can be removed to optimize the process overall. “One of the vital criteria for the selection of IDS Scheer was that their software is not limited to simply graphical process displays but also evaluates them,” said Schulze.

Working together with the IDS Scheer consultants, the project team registered the Kneipp transactions and mapped them on a process map. As part of this effort they conducted numerous workshops interviews, a rather resource-intensive measure—but one that paid off. Staff members were now thinking process-orientated and the operations are transparent across the enterprise, leading to a considerably quicker product launch.

Tasks previously organized by product lines are now realigned by project—and this saves work. The change from static to project organization has reduced the effort for product launches by 30 percent, in part because uniform decision-making processes have removed the burden from sub-departments. The production, fabrication, procurement and logistics organizations were each optimized in a similar manner and omitting handmade reporting lists alone is saving the company 1.9 person-days per month.

From many to just 3 main processes

In this manner, Kneipp has been able to streamline their organization into three primary processes: Product Life Cycle Management, Supply Chain Management and Sales and Distribution. This organization enables them to avoid duplicate work. “Because the processes have been kept simple within the software, the workflows are clearer than before,” said Schulze. As a result, Kneipp has been able to reduce their processing times and improve their product quality and delivery reliability.

Process orientation has been especially beneficial for Kneipp, as generally their employees have to perform a wider range of tasks than in a large-scale enterprise. Hence, the complete process overview for everyone is important because it allows them to identify and realize potential for improvement enterprise-wide. Today, a team coordinates the advancement and optimization of processes across the Kneipp Group.

Changing business means changing IT too

The Kneipp Group places quite high demands on its IT, applications and systems. One reason is that about twenty percent of Kneipp’s production processes are regulated products which have ingredient quality and traceability requirements from receipt and production to punctual shipment. In order to balance customer satisfaction and compliance with stringent pharmaceutical regulations, Kneipp has to meet extremely high quality standards. Kneipp’s IT plays an integral role in support of all the various business requirements.

In replacing Kneipp’s older ERP solution, for example, they had to define which functional areas should be included in the new standard ERP system and how the numerous, Kneipp-specific solutions, such as lab, quality and packaging management could be integrated via services.

From the beginning, the subjects of well thought-out integration and business process management have played a major role for Kneipp as they worked to achieve their ultimate aim of cross-enterprise end-to-end control over their many business processes.

Combining technologies to meet business needs

To meet their diverse and complex supply chain requirements, Kneipp decided to employ a combination of SAP ERP with Software AG’s webMethods Integration and BPM technologies. This was not just the best solution from a technological point of view, but also from a cost-benefit perspective according to Schulze. “We employ SAP ERP as a central solution for all Kneipp subsidiaries. This is purely a standard solution with no Kneipp-specific functionality whatsoever,” stated Schulze. webMethods made Schulze’s shortlist quickly because of its positive analyst ratings and after seeing the benefits of the complete suite firsthand at a large logistics supplier’s site, he was convinced.

“The capability to efficiently integrate our applications with the central ERP system was one factor that influenced our decision in favor of webMethods. The second was that we would be able to use the webMethods-based integrated infrastructure for dedicated cross-enterprise process management and realize transparent, documented end-to-end control of our business processes. This benefits our product innovation, starting with the idea and market evaluation all the way through to the market-ready product.”

Users now have uniform access via a portal to information they need to retrieve from various IT systems. Schulze sees further potential for improving the company’s competitive position through efficient business process management in the B2B arena. Tighter system integration

between Kneipp and its customers would enable optimized storage planning and the exchange of product data.

Fully integrated business processes

With the implementation of webMethods B2B technology, data exchanges via EDI with their biggest business partners (e.g., pharmacies, drug stores and other retail chains) has brought Kneipp end-to-end transparency and control. This not only connects their business partners, but fully-integrates their business processes and provides real-time availability and product detail data.

Daily 2,000+ order transactions are processed by webMethods quickly and reliably. webMethods Optimize for Process monitors the business activity to determine the status of individual processes. It alerts Kneipp's staff to intervene, if necessary, in order to meet customers' high expectations for punctual delivery or other defined requirements.

End-users can order products via the Kneipp Online Shop which is also directly integrated with the SAP ERP system via webMethods. In addition, call center staff can use this system "behind the scenes" to electronically forward customer orders to Kneipp.

End-to-end transparency built on a stable foundation

Schulze considers these first projects solid confirmation of the decision to employ the ARIS Platform and webMethods BPM Suite. With these, Kneipp has a stable foundation for further IT integration and future process management projects.

Kneipp's results to-date are impressive—they have a 30% reduction in effort for new product launches, their customer and partner satisfaction has increased and they have significantly improved their innovation capabilities and time-to-market.

KEY COMPONENTS

ARIS Platform was used to systematically analyze and optimize Kneipp's supply chain, identify and remove disruptive factors in sub-processes and communicate end-to-end process relationships enterprise-wide.

webMethods Business Process Management Suite (BPMS) efficiently integrates Kneipp's applications with their central ERP system, enables cross-enterprise process management and has allowed them to realize transparent, documented end-to-end control of their business processes.

webMethods Enterprise Service Bus (ESB), the B2B-Gateway Trading Networks, webMethods for SAP and a multitude of adapters connect Kneipp with their business partners and fully integrate their business processes.

ABOUT SOFTWARE AG

Software AG is the global leader in Business Process Excellence. Our 40 years of innovation include the invention of the first high-performance transactional database, Adabas; the first business process analysis platform, ARIS; and the first B2B server and SOA-based integration platform, webMethods.

We offer our customers end-to-end Business Process Management (BPM) solutions delivering low Total-Cost-of-Ownership and high ease of use. Our industry-leading brands, ARIS, webMethods, Adabas, Natural, CentraSite and IDS Scheer Consulting, represent a unique portfolio encompassing: process strategy, design, integration and control; SOA-based integration and data management; process-driven SAP implementation; and strategic process consulting and services.

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