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CPM and Planning: the Ilapak Case



Industry

Manufacturing

Application Area

Corporate Performance
Management and Planning

Company

ILAPAK, present for 34 years in the sector of production and commercialization of flexible packaging, represents nowadays a consolidated reality. With 100 Mil Swiss francs of annual turnover, about 600 machines/year produced, 380 dependent country/market and forty country/markets served, the Group is the second company in the sector all over Europe.

Even if it has a medium dimension, its complexity, dictated by a structure articulated in commercial company, production unit and society of services, can be compared to the one of a large multinational. In order to manage this complexity – says Carlo Bina, CFO of Ilapak Group – we had to take a decision: the transition from distributed management tools, not yet homogenous and subject to potential human errors, to centralized ones: based on a common platform sharing business principles and rules". Carlo Bina then adds: "It was like business culture change, in which all the management of the Group had been deeply involved. The final choice of the "Management Tool", together with finding the right partner for the implementation, have been immediately recognized as main key-factors for project's success. Now we can proudly say that, the choice of BOARD® Management Intelligence Toolkit and the partnership with SDG consulting represent the winning combination in this change management process within Ilapak Group. The introduction of the Toolkit itself, supported not only by deep technical knowledge but also by specific SDG competences, such as business management, allowed ILAPAK to move the first steps towards a new way of understanding, managing and planning Group activities and business processes. Once again, we had the confirmation that people are the true intellectual capital and success and business continuity are guaranteed if they are all equipped with appropriate business management tools".

Main project goals has been set as follows:

- building up a Business Performance Management system for each single company of the Group, both from economic and financial perspective, paying attention to cash flow as main indicator of the



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ability to create value;

- implementing a business planning and simulation model, capable to plan future performances in alignment between tactical objectives and Group strategy, such as revenues' growth and increase of profitability from financial operations.

The project, jointly lead by Ilapak Group Controllers and SDG, basically consisted in the design and implementation of the Group Financial Planning & Controlling system, splitted in three main modules (Profit & Loss, Balance Sheet and Cash Flow) supporting three main business processes: Controlling, Budgeting and Forecasting.

Each process and business measure have been standardized and fully integrated according to common Group Financial Assumptions & Principles and then printed and distributed through a "Group Financial Book" as business summary.

Just after project kick-off, actual state of the art showed some typical peculiarities of such a multinational group, recently grown by acquisitions:

- Many companies in Italy and abroad, having both production facilities and/or commercial operations;
- Different business management cultures and then different approaches to planning and controlling processes;
- Local and customized Information Systems in every single company, require anyway actual data collection in order to fulfil controlling system.

CORPORATE BUSINESS MODEL

Project team initially defined the common structure and conceptual framework for Financial Statement, which should describe the business model and give evidence to the Value Drivers. Profit & Loss (say, Income Statement) reflects Ilapak Business Units (Machines, Spare Parts, Services, Consumables) and internal department accounts; internal dept costs are than reallocated to Business Units in order to calculate full-cost profitability for each of them.

Moreover, different accounts have been designed with special focus on industrial costs for production sites and on sales & marketing expenses for commercial companies. Balance Sheet focuses mainly on Gross Working Capital; trade credits and inventories being the drivers helping the transformation from economic performances to financial ones.

Trade debts are not actually a business leverage, but a kind of intercompany measure, being Ilapak the main supplier of each company of the Group.

Cash Flow is then used firstly to set apart extraordinary and financial management, in order to estimate the results of current business management and therefore the selffinancing, together with Operating Working Capital. Financial and extraordinary operations are then included giving what is called Net Cash Flow.



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PLANNING AND CONTROL PROCESSES

Once the conceptual framework has been done and data-model has been set-up with BOARD, actual data reporting and planning systems for each company were the next project goal.

Concerning P&L module, main topics – both from data-model and process perspective – are the following:

- The level data detail is constituted by the Society, Business Unit/Product, Currency, Voice of P&L and Month;
- In terms of process, data are managed in a different way:
 - Actual: as balances Year To Date;
 - Forecast: as movements only on the months of forecast allowing to choose the start up of reference (the Budget or one of previous the monthly Forecasts), the writing of the forecast of closing, integrated to the Actual data for the months already closed.
 - Budget: as movements allowing to choose the start up of reference (for example. the last Forecast available).
- For all the processes, values are inserted according to a specific logical flow: Amounts, Gross Sales and Cost of the Sold for every single product, Direct and Indirect costs for every single BU, in order to identify the contribution, in absolute terms and %, of the various elements of the Economic Account to the Net global Income, for Societies and Business Units

In terms of Balance Sheet, the fundamental elements, both of model and of process can be resumed as follows:

- The level of detail of the data is constituted by the Society, Currency, Voice of BS and Month;
- In terms of process, the data are inserted in a different way:
 - Actual: the data are managed like balances, resuming the Net Profit from the Profit & Loss;
 - Budget and Forecast: Credit and Warehouse days are planned in order to determine the monthly value of the Commercial Credits [$(GG \times \text{Forecast Sales BU})/n$] and of Supplies [$(GG \times \text{Forecast Sales BU})/n$] where n represents the number of days passed from the beginning of the year to the planning month. Relatively to the other voices of Patrimonial State the date entry from the result of the last month and for exception is scheduled. The process closes with the simulation of the net financial position, the calculation of the financial burdens and the resumption of the Net Profit from the Profit & Loss. The cash flow is calculated through the variation of the prospect sources/investments, with the exception of the management of two factors such as distributed dividends and eventual non monetary Adjustment.

Concerning the model of control/reporting, having a corporate structure articulated in companies, production units and service societies, the Holding needed an operating instrument that resume economic and



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financial business results and supported the Corporate Controlling for the analyses of the performances both of the single society and as Group. A Financial Book has therefore been realized that makes available in layout standard and common:

- Statements of P&L, Balance Sheet and Cash Flow, and relative comparisons between Actual, Forecast and Budget;
- KPIs analysis concerning a selected set of Indicators of Profit (EBIT, EBITDA, ROI, ROS, ROE, Cash Flow...) and of Structure (DSO, GOD, Fixed Assets Coverage,..).

Other particular elements have been designed and realized to support the processes, in which actors companies interact such as:

- "workflow management", that allows the Process Owner to verify the state of advance of the various companies in the data collection or in the planning process and then "to congeal" the values (making them unchangeable), in order to guarantee univocity to the final/estimated official data.
- The " flexible currency rate analysis ", that is the possibility to convert the actual data into actual change, budget and simulated ones, and the data of budget into change of budget, actual and simulated ones, in order to allow homogenous changes analysis to clean the results from the effect change;
- The " planning scene " that is the possibility for Financial local Managers to save various simulations of Budget (Low, Medium, Aggressive...) on different scenes, being able then to choose between these the definitive scene, that will be analyzed/validated from the Holding.



The use of the model from the different Group Companies on one side helps every Financial Manager in the periodic activity of data collection, analysis and simulation, on the other one allows the Corporate Controlling to manage the activity of planning of the Group, through the analysis and timely validity of the information, the eventual participation with aimed corrections, the successive consolidation of the local values. The plan is in continuous evolution: the planning model initially developed for the Commercial companies has been extended to the Manufacturing Divisions of the Group, in order to answer the requirement of integration and sharing of the information coming from different sources in only one structured model, with the objective of monitoring and on top of that to maximize the effective business results.