

## Seamless business planning with a single solution



VALLOUREC & MANNESMANN TUBES manages all European business planning with Thinking Networks



Several different factors make business planning a true challenge for VALLOUREC & MANNESMANN of Düsseldorf: the company's specific European structure, a booming industry and the high level of specialization achieved by the tube manufacturer. It is a task that requires real professional know-how and one the industrial manufacturer now performs with the aid of a sophisticated planning solution developed by Thinking Networks AG of Aachen.

Dr. Franz-Ludwig Klapp smiles when he recalls how business planning was handled years ago. "The eight sales departments reported their planning figures, and we consolidated them in an Excel base which was forwarded to the Production Department," explains the Director of Business Planning and Information at the Düsseldorf firm of VALLOUREC & MANNESMANN (V & M). This base data consisted of the number of customer orders received, a forecast and customer planning data. "Seventy percent of these data were assumptions and 30 percent estimates. That would be unthinkable today," recalls the planning expert for the prospering Düsseldorf company. Unthinkable for one thing because Vallourec, the parent company of V & M, is listed on the French CAC 40 stock index (comparable to the German DAX), which means that analysts, the Stock Market Supervisory Authority and shareholders rely upon exact figures; but also because the rapidly growing Chinese market, in particular, ensures that the steel mills at V & M are running at full capacity." Under these circumstances, failure to keep planning up to date would amount to gross negligence", notes Dr. Klapp.

V & M is the largest Vallourec subsidiary and the world's leading producer of seamless hot-rolled steel tubes in all sizes for a wide range of applications. The company operates eleven modern tube production plants world-wide, of which eight are located in Europe (four each in Germany and France), three in Brazil and the U.S. and one in China (a finishing plant for steel tubes). Annual production amounts to as much as three million tonnes. Established as a joint venture by the Mannesmannröhren-Werke and Vallourec eleven years ago, V & M became a 100% subsidiary of Vallourec in 2005. The firm generates turnover of over five billion Euro annually – more than 80 percent of total Vallourec revenues.

VALLOUREC & MANNESMANN TUBES was founded in October 1997 as a Franco-German joint venture by the Vallourec Group (55% interest) and Mannesmannröhren-Werke GmbH (45% interest). The partners shifted all of their activities relating to the production and sale of seamless, hot-rolled tubes and oil-field pipe to the new company. Effective 1 July 2005, the Vallourec Group acquired the 45% share in the joint venture previously held by Mannesmannröhren-Werke GmbH.

V & M TUBES operates steel tube production facilities at 11 locations in Germany, France, Brazil and the U.S. as well as steel works in Saint-Saulve (France), Duisburg-Huckingen (Germany), Belo Horizonte (Brazil) and Youngstown (Ohio). The group as a whole employs as staff of approximately 16,000 and recorded total revenues of 6.14 billion Euro in 2007 (2006: 5.54 bn; 2005: 4.3 bn).

V & M chief planner Klapp



The outstanding feature of V & M's business is that the company does not produce ordinary tubes but has focused instead on the manufacture of seamless tubing. These extremely robust tubes are used in such applications as power-plant construction, the petrochemical industry and oil and gas drilling operations. But architects concerned with the design of extraordinary structures built with tube constructions also favour V & M products. The Schalke football arena and the futuristic Bangkok airport, to name just two examples, consist primarily of tubes from V & M. Moreover, the specific corporate structure of V & M makes planning anything but a simple matter.

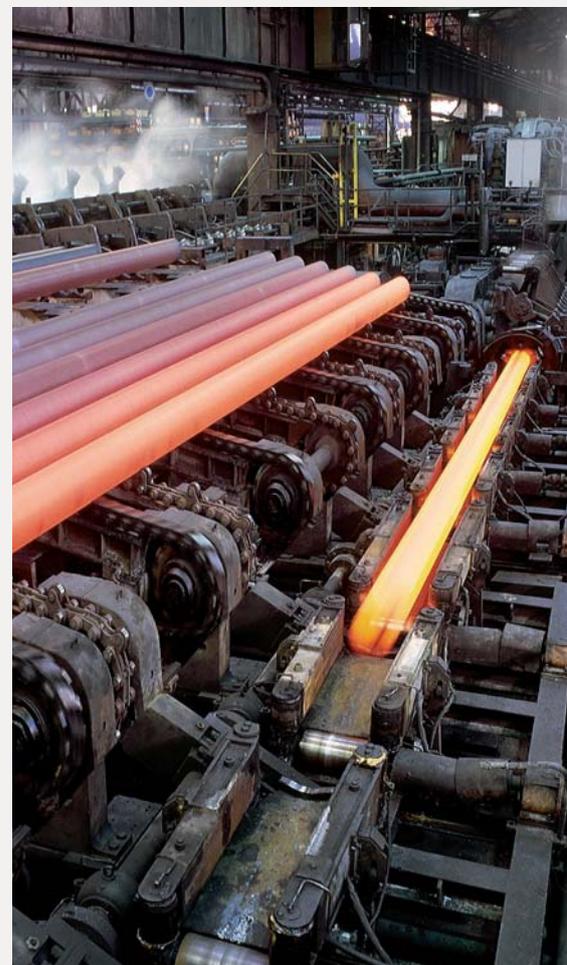
"We also looked at SAP BW in 2000, but the system was still in its infancy at the time. It wasn't suitable for our purposes", says V & M chief planner Klapp. But as V & M had already been using Business Objects since 2001, initial contact was made with Thinking Networks in 2005, and that turned out to be a bull's-eye right away," recalls Dr. Klapp. The TN Planning extension for Business Objects incorporates the complete functionality of TN Planning into the Business Objects environment. "That equips Business Objects with an integrated set of corporate planning and consolidation tools that goes far beyond the modules in the Business Objects portfolio. Furthermore, TN Planning draws the basic data for the entire planning process directly from the Business Objects universes. The advantage is that the user can plan within a consistent system", explains Thinking Networks consultant Wolfgang Schauerte Lüke.

Thus from the outset, V & M was able to implement a business planning system that had nothing at all in common with the old-fashioned Excel planning system. There are now four annual planning segments for the next six quarters. The individual planning segments are described in a workflow and thus support the diversity of the V & M structure.

The process based on TN Planning begins with planning operations carried out independently by Sales. "Our sales representatives receive figures from the preceding quarter from Business Objects for use as reference values. These data serve as the basis for their plans," notes Franz-Ludwig Klapp. Even at this point, plans are so granular that they can be realized by divisions, subdivisions and down to the individual plant level. "Sales representatives can then simulate various scenarios in what is known as a preversion", explains Dr. Franz-Ludwig Klapp. They then document their final plans in a "final sales demand version" which can then be reviewed conveniently by Central Planning in the TN Planning interface. After that, the planners at German headquarters pass the data on to Production Planning, which then checks to ensure that they conform to currently available capacities. Following the acceptance of cost plans, the revenue and earnings plan drafted by V & M goes to Vallourec Group headquarters in Paris, where it is incorporated into the official revenue and earnings forecast. Although the entire process is highly work-intensive, it can be realized on the basis of the documented workflows in just a few weeks – but that is not the most appealing aspect. Klapp and his colleagues were particularly impressed with the expansion of the planning application through the addition of scenario simulation. "The fact is that we currently cannot produce as much as we could actually sell", says Klapp. And thus the software makes it possible to simulate at any given time what would happen if specific products were shifted to other plants. "We consolidate reconciliation, quantities and sales and receive a consistent new plan from TN at the press of a key", explains the Business Planning Director.

*Benefits of TN Planning at a glance*

- *Seamless planning, even across national organizational boundaries*
- *Software conforms 100% to the process complexity of the highly specialized tube manufacturer*
- *Documented workflows ensure "planning at the press of a key".*
- *Perfect integration into Business Objects*
- *Simulation offering many cross-section analyses at all levels of production*
- *Four additional employees would be needed to do the work accomplished through use of the software.*



V & M also uses the planning capability of TN Planning to figure in the individual bottlenecks in specialized production. Heat treatment of certain types of tubing is a special finishing stage that takes up considerable capacities, for example. In addition, V & M has already begun identifying other finishing processes and incorporating them one by one into TN Planning – from efficiency factors to repeat heat treatment to the special operations involved in the process known as tube finishing.

“If we tried to obtain this depth of detail in the old way using Excel, I would have to hire at least four more full-time employees”, notes Dr. Klapp in his initial résumé of experience with the software. And, he adds, “We achieve advantages in later planning stages, receive active support from TN Planning for the consolidation of data from the various international subsidiaries and can see exactly what capacities are being used by the plants in Germany and in France”. Furthermore, TN Planning exemplifies the principle that the deeper one digs, the more information one obtains, which means that depth of detail can be enhanced as needed. And that is sometimes a must in day-to-day operations. “Because our parent company is listed on the stock exchange, we have to factor out everything we deliver to customers of the French vendors, the so-called sub-orders, from plans, and we are permitted to include only the percentage commission that goes to the French colleagues”, explains Klapp.

Thus Dr. Franz-Ludwig Klapp regards the use of the new planning software as “the solution that offers the largest number of possible cross-section analyses at all levels. We exploit the capabilities of the software to the fullest, and the integration of TN Planning into our Business Objects system is a genuine advantage”. In summary, he says, “The planning software is much more than an operational element for us. It is also a tool we can employ with intensity to influence even large-scale decision complexes.”



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