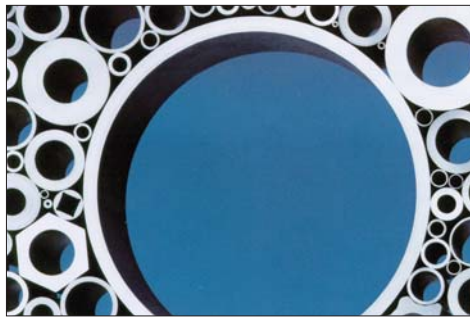


# „Achieving Success through Transparency“

**Following the takeover of the Mannesmann Tube Group, MHP Mannesmann Präzisrohr, the precision tube specialist and a subsidiary of MRW AG, was integrated into the Salzgitter Group. MHP saw this change as a challenge, implemented a new controlling system based on SAP R/3 and MIK-OLAP, and**

**succeeded in completing the turn-around in two short years. The most recent coup achieved by MHP's successful controlling team is the development of a Management Information System based on MIK-INSIGHT.**



**MHP produces high-grade seamless and welded precision steel tubes with diameters ranging from 1.5 to 380 mm.**

A chain is only as strong as its weakest link – and that is why the advent of the computer caused companies in all industries worldwide to tackle the areas of their businesses that they suspected required the most action. In general, they suspected correctly, and the past 20 years brought with them what has probably been the greatest growth in productivity worldwide that humankind has ever witnessed. MHP (Mannesmann Präzisrohr GmbH), which has been a member of the Salzgitter Group since the beginning of the new millennium, focused on its use of IT, as well. By optimizing its core areas and combining new, computer-aided production processes with innovative technologies, MHP became one of the world's premiere specialists in high-grade seamless and welded precision steel tubes.



## The Focus Shifts

Strength is often relative, and if one area of a business is significantly improved, it frequently becomes apparent that other areas now require special attention. This was the case at MHP, too, because although the precision tube specialist was a technological leader, its performance failed to show this. "The steel industry tends to be very cyclical,



**"Controlling is in-house consulting, so we want to provide our decision-makers with an ideal tool: MIK-INSIGHT."**

Emilio Reales Bertomeo, Director of Controlling, Reporting and Information Management at MHP.

and a number of the problems that we were experiencing at that time could definitely be traced to the difficult market situation", says Emilio Reales Bertomeo, Director of Controlling, Reporting, and Information Management at MHP. But he is quick to make one thing perfectly clear: "However, many of our problems were spun at home."

The main problem was that MHP lacked transparency. "We had plans but no opportunity to follow up on their implementation in a timely manner", Emilio Reales Bertomeo recalls. "Figures were not available until

too late and at times came up short on usefulness. We were lacking an overview as well as insight into detail – in other words: Everyone did their best in their individual areas, but no one knew what was truly good for the business."

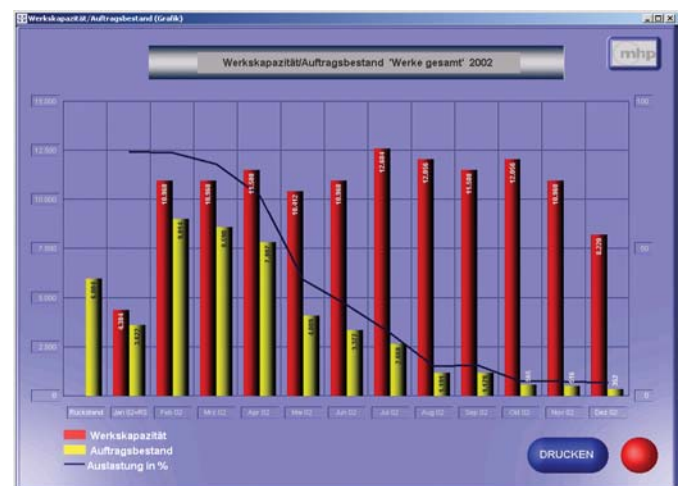
## Time for Controlling

The solution was clear to Emilio Reales Bertomeo: nothing but seamless transparency throughout the entire business would enable MHP to get back on the road to success. At the beginning of 1999, with the full support of management, he initiated the NECOS (NEw COntrolling System) project, a complete reengineering of SAP R/3 CO. In only six months, NECOS was introduced at MHP's five German factories in Hamm, Wickede, Bielefeld-Brackwede, Holzhausen, and Remscheid. This resulted in the development of an extensive database that collects all of MHP's technical and business information in real-time.

Comprehensive assessments then allow data to be analyzed and reported from a wide range of perspectives. "With a product portfolio encompassing several thousand items, you just cannot rely on your instinct anymore", states Emilio Reales Bertomeo emphatically. "Decisions require a solid basis – and that's why we need the information that R/3 provides."

In order to best adapt the system to MHP's requirements, its production, sales, and administrative areas were dealt with separately based on a controlling-focused income statement. Today, NECOS supplies comprehensive information for each of these areas. However, all of this data is interconnected so that if a change occurs in one area of the business, its effects will be immediately detectable in other areas. "Nowadays, if you want to achieve ideal results in your own area, the only way to do this is by considering the needs of the other departments", Emilio Reales Bertomeo explains. "Consequently, managers generally do a lot of coordinating with each other and make their decisions in such a way that they benefit the entire business."

One typical example of this involves determining the internal units of account. Previously, every division manager was only responsible for his own area's performance. As a result, it was possible for products to be manufactured more expensively than they could later be sold for. Today, the sales division can step in to prevent this from happening and can work together with the production division to find ways to reduce costs. "A sales-oriented perspective has become a profit-oriented one", states Emilio Reales Bertomeo.



Fast graphic analysis in MIK-INSIGHT.

## R/3 Exhausted

As proud as MHP is of NECOS – the system won second prize at the annual ControllingWorld (a trade show for controlling) Awards – Emilio Reales Bertomeo is nevertheless aware of the system's limits: "R/3 is a productive system with a two-dimensional database. But we needed an assessment tool that would clearly focus on report recipients and also allow for three-dimensional assessments. Consequently, our attempts to generate the required assessments in R/3 inevitably ran into limits." Emilio Reales Bertomeo searched for an expansion for R/3 and hit upon MIK. "MIK-OLAP offered the exact assessment options that we were looking for, so it was the ideal expansion for NECOS and SAP R/3."

A comprehensive information system for controlling and management then developed based on MIK-OLAP (which collects its data directly from SAP R/3), MIK-ONE, and MIK-XLREPORT. While prior to the introduction of NECOS, it often took weeks for important assessments to become available, now, even complex analyses are complete as early as the next day. "SAP compresses the day's information at night and imports it into MIK-OLAP's data cubes", Emilio Reales Bertomeo explains. "The next morning, the data is available – whether in the form of useful tables or informative charts." So now, even creating a monthly report from the perspective of controlling takes just a matter of hours. One day after the last bookkeeping entry is made, the entire results are perfectly formatted and are available for use.

## Business Management in Two Steps

But even this was not enough to satisfy Emilio Reales Bertomeo. "Controlling is in-house consulting; we want to provide our decision-makers with the right tools for their work instead of operating as a company-wide print studio." Under his direction, MHP's controlling division began its most recent project: a Management Information System based on MIK-INSIGHT. As Emilio Reales Bertomeo has learned from other companies, "It doesn't make much sense to give all company divisions blanket objectives, such as to maximize sales or minimize costs, because such

generalizations can be very counter-productive in individual instances. Conversely, nor does it make sense to supply each decision-maker with all the details; anyone who spends too much time dealing with details quickly misses the forest for the trees. That is why we were looking for a solution that would provide every decision-maker with all the information he needed and that would quickly enable him to see when his decisions were correct and when they were not."

What initially sounds complicated proves to be ingeniously simple in practice. That is because every decision-maker – whether factory manager, director of sales, or manager – knows the key figures that are relevant to his particular area. MHP's MIS, which was developed based on MIK-NSIGHT, displays these figures – whether as actual performance figures, planned target figures, or as deviations from target and performance figures.

Internally, the program currently works with five data cubes, and the data is broken down by area (production, sales, and support) and determined separately for each factory. This structure does not require any special action by the user; he can simply call up the data in the format in which it is relevant to him: sales and production figures broken down by factory, products or time periods, or information regarding all product lines, as well as data regarding MHP's Balanced Scorecard, competitors, and information concerning its ranking in the market. The application even includes a risk management function.

"We have no blind faith in figures", states Emilio Reales Bertomeo emphatically. "Figures are important, but they are only useful to those who know how to interpret them. That's why we didn't want to give our decision-makers a program that would merely supply them with a lot of cute graphics. Instead, we wanted to give them a tool that would answer their questions quickly and precisely."

**MHP Mannesmann Präzisrohr GmbH**  
**MHP Mannesmann Präzisrohr GmbH, a subdivision of Mannesmann Röhrenwerke, has been a member of the Salzgitter Group since the year 2000. MHP produces high-grade seamless and welded precision steel tubes with diameters ranging from 1.5 to 380 mm at five factories in Germany and one in Holland. In 2001, MHP had a staff of about 1,300 employees and achieved sales of 150 million euros. Additional information regarding MHP is available on the Internet at [www.mhptubes.de](http://www.mhptubes.de).**

## Fast Access to Important Information

In actuality, MHP's MIS seems like a type of information cockpit in which decision-makers can quickly view all of the important figures and thus monitor the performance of their particular areas. If deviations from performance targets arise, they are detected early on. Nevertheless, while many businesses use OLAP applications to assist managers in searching for the cause of irregularities or deviations from performance targets, MHP deliberately chose to forgo this option. "Decision-makers should concentrate on their core tasks. Nowadays, having up-to-date information on factors that regularly affect a business' success represents a competitive advantage", says Emilio Reales Bertomeo as he explains the philosophy behind this approach, adding, "That is why experts from the controlling department should be consulted whenever deviations from performance targets occur."

Via MIK-ONE and MIK-XLREPORT, these specialists have access to the same data and reports as the managers have in MIK-INSIGHT, but the controlling experts' tools give them far more analysis options. As a result, the controlling department can determine the causes of the deviation and develop proposals for solutions, thereby enabling the decision-makers to quickly initiate the appropriate actions.

## Well-founded Know-how

During the full expansion stage, 30 employees will be working with MIK applications, most of them as users who will go through a brief training program regarding the interactive use of the MIS. But some employees will also definitely be trained to be experts in handling MIK applications. "SAP R/3 is a powerful tool, but whenever a change takes place, we have to rely on outside

specialists because developing our own know-how would be too expensive", says Emilio Reales Bertomeo. "But with MIK, the situation is different. Although the applications are extremely powerful, using and programming them are both very simple. As a result, we have only used outside specialists to a limited extent in developing our new MIS and instead have developed the application largely on our own."

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