

Client Value Study

Caraustar

Brief Overview

If you've torn open a carton of Hershey's candy bars, caulked a sink or remodeled a room, there is a good chance you have come into contact with Caraustar Industries. Based in Atlanta, Caraustar produces materials used in a wide range of containers, packaging and building products. Today, Caraustar is one of the world's largest integrated manufacturers of converted recycled paperboard. Caraustar's products are used in tubes, cores and composite cans, folding cartons, gypsum wallboard paper and specialty paperboard goods.

With more than \$1 billion in annual revenues, Caraustar has grown profoundly since its 1938 origin as a single mill in North Carolina that produced boxboard for folding cartons. Dozens of acquisitions have since vaulted Caraustar to prominence in the paperboard and container industries, resulting in a collection of mills, manufacturing facilities and production operations featuring a wide range of information technology systems and processes. As a result, data sharing between facilities was virtually impossible.

In late 2004, Caraustar embarked on an extensive effort to assess and improve its IT infrastructure, unifying around a common platform.

Dozens of acquisitions magnify IT disparity and complexity, threatening to stall growth of leading paperboard manufacturer.

Situation

Caraustar's management wanted to understand where the company stood versus its peers from an IT perspective, and how the company could derive more value from its IT operations. Also, it was clear to executives that there were opportunities to address technology platform disparities.

But beyond unifying platforms, Caraustar sensed that improvements in IT could drive efficiencies. Caraustar was especially concerned with precise management of inventory and productivity measures. Management knew that a regimented system for tracking inventory levels, reducing sales cycles and improving customer service would improve both profitability and productivity.

Why Tatum

Chief Financial Officer Ronald Domanico was the Caraustar executive charged with overseeing the company's selection and implementation of a new ERP system. He was concerned that the organization had been lagging its peers in IT sophistication and attendant benefits. Domanico noted, "My suspicion was that a philosophy of treating IT as a cost center was really costing us with poor data quality, manual processes and duplicative input."



SITUATION

Disparate systems and treatment of IT operations as a cost center left the company behind its peers in IT adoption and benefits.

TATUM SERVICE

Tatum Business Strategy & IT Alignment: Tatum's holistic assessment produces a comprehensive view of IT systems and the cultural context in which they operate, setting the stage for transformation.

SITUATION

Management has concerns about impartiality of vendor companies in providing recommendations and advice for high-stakes ERP transformation.

TATUM SERVICE

Tatum Intellectual Capital Forum: Objective approach and rich history of deployment experience shared by Tatum's nearly 1,000 Partners removes concerns about sanctity of hardware/software selection and allows foreven-handed evaluation of best-in-class implementation.

SITUATION

Utility-like model of IT constrains efficiency, demands duplicative data input and poses difficulties in understanding business conditions.

TATUM SERVICE

Tatum Program Management Services: Tatum selects and implements new ERP that collects and disperses vital information efficiently within the organization, allowing for improved inventory management, accelerated sales cycles and improved customer support.

"The Tatum team identified and then realized tangible savings many-fold over our investment in their services."

Ronald Domanico, Chief Financial Officer of Caraustar

Although he understood the need for change, Domanico was well aware of the stakes attached to the project. "ERP implementations have been known to break a company if they're done improperly," he says. The Caraustar management team had no experience with an implementation of the scale the company was contemplating. "I wanted first-hand experience, and I wanted an impartial provider," says Domanico. "Most of the other advisors have a vested interest in selling you their software or hardware. Tatum didn't have any such affiliations."

Results

Tatum offered an objective approach to assessing Caraustar's IT operations. Before making recommendations, Tatum reviewed the strategic context and organizational culture surrounding the company's IT infrastructure.

The review determined where Caraustar was positioned along what Tatum labels a "continuum of IT adoption." Adoption ranges from mechanical, utility-like IT incorporation at one end to a fully integrated role that is central to an organization's mission.

Tatum concluded that Caraustar had been treating its IT resources largely as a cost center that provided a base-level of support for broader operations. Tatum recommended the company

approach technology from a different cultural perspective, one that would support a progression in which IT resources advanced from a role of utility to a model of value-creation that would help lower costs, create differentiation and improve customer support.

That meant doing more than installing new hardware and applications. Among Tatum's recommendations was improved alignment between Caraustar's four divisions, with Chief Information Officers within each division. Tatum also recommended Caraustar elevate its corporate IT management role to a Vice Presidency from a Director-level position.

On the technology side, Tatum advised migrating from a decentralized system architecture—with more than 15 order entry systems and dozens of AS/400 and DOS-based systems—to a monolithic, single-instance browser-based solution with a secure, redundant outsourced data center. Tatum also identified and engaged a set of systems and application providers to install hardware and host data.

Taken together, the actions advanced not just the machinery of Caraustar's IT operations but the culture surrounding them. Domanico says, "Thanks to Tatum IT has a more contributory role than it has ever played at the company."

With Caraustar's newly-aligned ERP nearing full deployment Caraustar believes the IT transformation is yielding significantly more value than they could have planned. Domanico says the new ERP arms Caraustar with the ability to "drill down" into data that offers sharper views of day-to-day inventory levels, operational efficiency and financial metrics summarizing more than 100 plants. "We see a lowering of inventory. We see improved productivity. And we see a much sharper focus on customer service because we have information at our fingertips," explains Domanico.

Domanico believes Tatum's value in the ERP implementation reflected the organization's depth of talent and the fact that Tatum can draw on-demand from a wide pool of Partners to contribute ideas and experience. As he explains, "No one person can be an expert in everything. Tatum's depth is good."



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