



Optimizing the impact of digital transformation



Key facts

Client: CST Industries

Industry: Industrial Markets

Sector: Manufacturing



Founded in 1893 as the Columbian Steel Tank company, today CST's divisions include CST Storage, CST Covers, and Vulcan Tanks. CST Industries is the leading supplier of innovative storage solutions such as tanks and silos for liquids and bulk materials such as grain, coal, water and petrochemicals. The company also makes aluminum geodesic domes and unique covers that are used with water, wastewater, and oil and gas storage tanks. CST also manufactures aluminum structures for the architectural market. Based in Kansas City, Missouri, CST operates six manufacturing facilities in North America and in Europe, as well as technical design centers and regional offices in Central and South America, Asia, and the Middle East. To date, more than 375,000 CST storage tanks and 20,000 covers have been installed in 125 countries.

Project at a glance

When inventory management problems led to significant write-offs, our client's senior management asked KPMG to assess and then reconfigure its Microsoft Dynamics 365 Enterprise Resource Planning (ERP) platform. Leveraging our long-term relationship with Microsoft, KPMG brought leading technical knowledge and implementation experience to CST's ERP upgrade. And by following our speed-to-value, results-focused KPMG Powered Enterprise approach to digital transformation, we made sure that setting goals and targeting real business objectives drove the entire process to success.

Making the most of Microsoft Dynamics 365

CST already used the Microsoft Dynamics 365 Enterprise Resource Planning (ERP) platform, but its implementation by a previous integrator was limited and inflexible. Key modules for managing revenue recognition, financial period-end, supply chain, and manufacturing were not being optimally leveraged, and in some areas employees had developed work-arounds with other software. This led to major reconciliation issues in revenue accounting, invoicing, and finished and work-in-process inventory values.

When discrepancies in a year-end stock count forced a major inventory write-off, the company's new CEO decided to reevaluate CST's supply chain management and operational processes. Avoiding more costly write-offs was the main goal, but reconfiguring Microsoft Dynamics 365 could also cut down on delayed orders and incomplete shipments. With demand for CST products rising, and the COVID-19 pandemic creating supply chain disruptions, the need for rapid changes was especially critical.

From assessment to action

Local KPMG professionals were acquainted with CST management, and when the company's private equity owners recommended an assessment from a major consulting firm, KPMG was selected to review operations at CST's plant in DeKalb, IL. This facility was not only the company's largest, but had also experienced ongoing challenges with inventory management and order processing.

After the assessment, CST again turned to KPMG for guidance on addressing the issues and opportunities it had uncovered. Improving revenue recognition was the top priority, followed by inventory and supply chain processes.

Across all of these areas, our team focused on customizing Microsoft Dynamics 365 to meet the needs of CST personnel. A major reason for the system's limited acceptance at DeKalb was that most employees were left out of the design and testing processes. The result was a rigid, technology-driven system that may have worked well in theory, but failed to overcome real-life obstacles on the plant floor or in the back office.

To remedy this, the KPMG team made configuration changes to the core Dynamics 365 application and implemented additional modules for Warehouse Management, Manufacturing Sequence Planning, Project Billing Automation, and Production Shopfloor Execution. We also established a new shipping process function that reduced the number of transactions at the shipping desk. Training employees on how to make the most of these new capabilities was critical, but ultimately paid off by delivering a smooth system rollout and wider acceptance throughout the plant.



A business-driven approach

As a longtime Microsoft Dynamics 365 Inner Circle Partner, KPMG brought leading technical knowledge and experience to CST's ERP upgrade. And by following our speed-to-value, results-focused KPMG Powered Enterprise approach to digital transformation, we made sure that setting goals and targeting real business objectives drove the entire process. The immediate results yielded improvements in:

- **Inventory management:** The discrepancy between physical inventories in the plant and those registered by the ERP system was sharply reduced, from \$4M to \$200K, thus avoiding another write-off.
- **Shipping:** CST saw a drastic reduction in average shipping process times, which went from a few hours to less than 15 minutes. This improvement also helped reduce customer issues—and delayed payments—for missing or incomplete orders.
- **Manufacturing posting accuracy:** Rolling out the Microsoft Dynamics 365 Production Shopfloor Execution module led to greater accuracy in posting and accounting of Work-In-Process (WIP) and overall production costs.
- **Materials Planning:** Extending Microsoft Dynamics 365's Sequence Planning function allowed machines to be sequenced more efficiently, which led to better material plans and visibility of projects across the organization.

Based on the success of the ERP assessment and upgrade in DeKalb, CST is planning to continue working with KPMG to make similar improvements at its other major facilities.

Why KPMG?

Start with the outcomes in mind.

Most functions looking to transform start with how they do things today, and then think about changing from that starting point, but that can be limiting. So, we start with the end in mind, and say, here's where you can go. Because we take a business-led approach to change, we leverage KPMG Powered Enterprise, a solution for rapid business modernization to get clients started with a model answer and help them achieve value quickly, sustaining that position over time. KPMG and Microsoft combine advanced technologies, industry insight, creative thinking, and established competence in managing complex global business issues to help transform companies in the areas most critical to prosperity and ongoing sustainable success.

People make the difference.

To achieve widespread acceptance, we started by listening to a wide range of stakeholders. Then we followed up with extensive testing and training prior to rollout. Along with cost reductions and process enhancements, the new, improved Microsoft Dynamics 365 implementation won greater buy-in from CST personnel, leading to improved morale and a better working environment.

Experience and empathy.

Bringing an experienced, high-performing team to each engagement is what allows KPMG to achieve outcomes like those seen by CST and other clients. And there's a strong chemistry between team members and the client, whose priorities come first.

We help get the most out of technology.

<https://www.kpmg.us/alliances/kpmg-microsoft.html>



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Start a conversation

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