

MICROSOFT® BUSINESS SOLUTIONS—NAVISION®

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**EXECUTIVE SUMMARY**

This paper describes the hub and spoke concept, which is a model for parent companies that need to integrate their business management software solution with that of their subsidiaries or divisions. This paper will help you understand why Microsoft® Business Solutions–Navision® 4.0 could be the ideal solution to use in your subsidiaries or divisions. It will also explain why Microsoft Navision can offer standard functionality, yet still meet local needs. Finally, this paper will take you through six common integration scenarios that parent companies often face with their subsidiaries or divisions, and how Microsoft Navision helps companies handle these situations efficiently.

**What is the Hub & Spoke Concept?**

The hub and spoke concept refers to a parent or holding company that uses one business software system (the hub), which is integrated with the systems used by its individual subsidiaries or divisions (the spokes).

This concept is a metaphor, which uses the image of a wheel with a core component (the hub) and many sub-components (the spokes). Together, the hub and spokes form a whole that can progress forward as one unit.

Similarly, in the world of business management software, the IT system of the parent company (hub), must work together with the systems of its subsidiaries (spokes) in order to reach its destination, or business goals. (See Figure 1, page 4.)

The next section will explain why Microsoft Business Solutions–Navision 4.0 could be the ideal solution to use in your subsidiaries or divisions. In particular, the next section focuses on how it offers standard functionality while still meeting local needs.

### Why the Hub and Spoke Concept Is Relevant for Your Company

The idea of one standard system that requires no integration of data between corporate headquarters and its subsidiaries certainly has its appeal. In the real world, however, companies must deal with integration between corporate and subsidiary systems, and there are a number of good reasons for this. Subsidiaries or divisions tend to have very different needs than the parent company, and therefore need a different system. The next session will look at some of the reasons subsidiaries needs tend to be different, and at the same time, see why Microsoft Navision may be the ideal solution to meet those needs.

Microsoft Navision is a standard solution that still has enough flexibility to meet the varied needs of local subsidiaries or divisions, regardless to their **size**, **location** or **type of business**. It has a low total cost of ownership because it is relatively inexpensive to acquire, and easy to use and maintain.

### How Microsoft Navision Meets Different Needs

**Size:** Subsidiaries typically do not need the same level of complexity in their system as the parent company.

Furthermore, they may not have the resources necessary to acquire and maintain a system that was designed for a larger company. Microsoft Navision is an excellent choice for subsidiaries because it was designed for small to mid-sized businesses.

For example, Microsoft Navision helped American logistical services company, New Age Electronics, to maintain their system more efficiently. They now use outside IT consultants only on a limited basis. According to Min Kim, Programming Manager, "Microsoft Navision provides a simple [Integrated Development Environment] IDE to connect data to users." New Age Electronics reduced consulting costs by 50 percent compared to their last year using their previous solution.

**Location:** Subsidiaries located in different countries will need a business system that reflects their local legal requirements as well as the business practices dictated

by their location. Microsoft Navision is a business software solution with 40 localized country versions around the world, and with multilanguage capabilities. Thus, it is a standard solution, but one that still meets varying local needs.

In addition to getting a solution that meets local requirements, subsidiaries can count on finding expert local help because of Microsoft's extensive network of qualified partners.

Dutch food company, Coroos, for example, worked with one local Microsoft partner to plan their solution and document their requirements, and another one for the actual implementation.

"[Microsoft] Navision partners gave us a software demonstration, and the functionality it provides fitted perfectly with the culture and processes of our business," said Andries van Iwaarden, Information Technology Manager at Coroos. Van Iwaarden also described the implementation as smooth: "Within 36 hours, our two factories were running one database on a single hardware platform."

**Type of business:** Subsidiaries may have specialized functions that they perform because of the nature of their industry, their way of doing business, or the way that they do business together with their parent company.

Microsoft Navision is flexible by nature. It is straightforward to adapt the standard functionality in Microsoft Navision to meet the specific requirements of subsidiaries or divisions.

There are several tools that make this possible without disrupting daily business:

- Minor adaptations save time in daily work
- Industry-specific templates and vertical solutions reduce service costs
- The upgrade tool and methodology make it easier to move to a new version

**Minor adaptations** like changing forms are easy to carry out in Microsoft Navision. Swedish-based EuroFlorist, for example, used the built-in tools in Microsoft Navision to add shortcuts that helped cut order-entry time by 30 to 40 percent.

“They’re small details, but they all add up, especially when every minute counts,” says Daniel Ekwall, Systems Manager at EuroFlorist.

In addition to the inherent adaptability of Microsoft Navision, there are also **Microsoft Business Solutions Industry Specific Solutions Tools – Navision**. You can use industry templates for divisions with similar functions, and you can find vertical-industry solutions for more specific business needs from the extensive network of Microsoft partners.

So, for example, if you have a number of divisional sales offices with similar functions, you might want to apply one industry-specific template to all your spokes. If, however, you need a solution for, say, the shoe manufacturing industry, then you might want to implement an industry-specific solution based on the Microsoft Navision platform. The extensive catalog of industry-specific solutions and the industry templates can help reduce service costs and make it faster and more efficient to implement the solutions at your divisions or subsidiaries.

Finally, **the upgrade tool and complete upgrade methodology** in Microsoft Navision help give you a smooth transition to new versions of your solution, without losing any specific modifications made for your business. It provides a tool and a framework to help you make sure you can continue to work with the solution with which you are already familiar, while still benefiting from new releases.

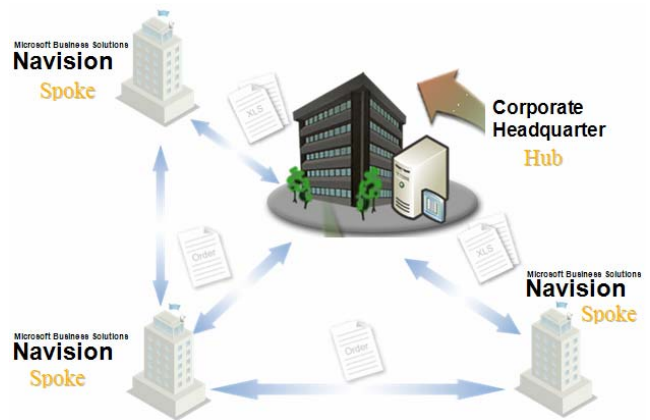


Figure 1: The figure shows a corporate headquarters, which is using a given business management system that is integrated with Microsoft Navision solutions at its various subsidiaries

### Varying Needs, One Common Purpose

Parent companies and their subsidiaries need different solutions because they have different business needs. Yet, they are all part of the same organization, and still need to function as a whole unit. If the system used at the subsidiaries is flexible enough, it can meet the needs of the individual subsidiaries or divisions (the spokes).

In order to move forward as one unit, however, it is not enough to meet the needs of the spokes. The spokes must function together with the hub (the parent company). In order to do this, the system used at the spokes must not only be a flexible solution, but it must also have the right tools to function together with the system used at the hub.

In the next section, you can follow six common integration scenarios, which are dictated by the business needs of the parent company and its subsidiaries. We will start with the most basic and common scenario. Then, we will go on to see how the more a parent company's business processes are intertwined with those of their divisions or subsidiaries, the greater the level of integration that they will need. Each scenario will explain how integration between Microsoft Navision at subsidiaries and another solution at the parent company can help the entire organization function more efficiently.

**Six Common Integration Scenarios:  
How Microsoft Navision Helps Increase Efficiency**

**Scenario 1: Consolidating Financial Data**

Any office that functions as headquarters must get a consolidated view of its finances that includes the financial reports of local subsidiaries. You need to consolidate finances in order to run your business, and you need to do so in order to meet increasingly demanding international standards, such as Sarbanes-Oxley and IAS 2005 (International Accounting Standard).

At the same time, your subsidiaries may have to answer to local financial practices and standards. These diverse business needs often result in a workflow that is inefficient and prone to error. The subsidiaries must take their financial information out of their local system, and retype it into a spreadsheet provided by headquarters. What's more, this workflow must be repeated for each subsidiary before headquarters can create a consolidated financial report.

**How Microsoft Navision Helps You Consolidate Financial Data**

In Microsoft Navision, you can consolidate financial statements for a series of business units from a single database, other Microsoft Navision databases, or other programs. You can transfer from different accounting structures to your own. You can also ensure that financial statements in different currencies are consolidated trouble-free using the exchanged rate functionality.

Microsoft Navision can also help you consolidate with Extensible Business Reporting Language (XBRL), an XML-based specification. XBRL uses accepted financial reporting standards and practices to export financial reports across all software and technologies, including the Internet. With XBRL, you enter information only once, and the same information can then easily be produced as a printed financial statement, an HTML document for a website, a raw XML file, or in a specialized reporting format.

**Scenario 2: Gaining Business Insight**

In order to maintain control over your entire organization, you need access to data located in the systems of your subsidiaries or divisions. You may want a monthly sales report organized by region and product. You may want to know how much inventory of a certain

item is on hand. Or, you may want to know how much each country office is spending on advertising. The information you may need is, in fact, unlimited.

What's more, whereas in some cases, you may want periodic reports, at other times, you may feel you need ad hoc answers to topical questions. Whatever type of information you need, however, you will want to receive it in a format that is easy to understand and to manipulate for your own purposes.

**How Microsoft Navision Helps You Gain Business Insight**

With the business analytics available in Microsoft Navision, employees at your subsidiaries can create OLAP cubes based on the data in their system. Business Analytics is integrated into your existing Microsoft Navision system, giving you the full benefit of access to your stored data. A Data Transformation Services (DTS) package pulls data from Microsoft Navision into SQL tables. From here, other DTS packages transform and structure these tables into multidimensional cubes processed in Microsoft® SQL Server® Analysis Services.

Employees at your subsidiaries will not need extensive IT support, but rather, can quickly generate reports based on the relevant parameters. Because of the Analysis Services cubes, controllers at headquarters can then access the reports in Microsoft Sharepoint, Microsoft Excel, or another program that they use in their daily work. The result is better visibility into your entire organization with faster and more efficient reporting tools.

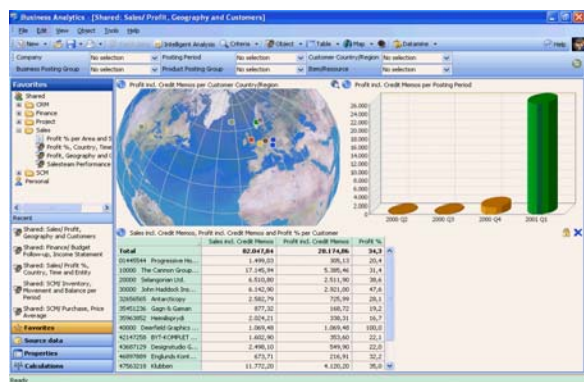


Figure 2: The advanced offering of Business Analytics has an intuitive Outlook-style interface that has a familiar feel for many users, and thereby reduces the time needed for training.

### Scenario 3: Sharing Master Data

A parent company and its subsidiaries share certain critical business information, such as vendor and price lists, and customer data. The data is often maintained separately in different systems using different formats, which makes it inconsistent. If, however, the parent company shares master data across the entire organization, it brings with it a number of benefits:

- Time spent sending and re-entering data manually is reduced
- Shared vendor data increases opportunities for quantity discounts
- Up-to-date and consistent customer data at every point of contact helps increase customer satisfaction

If the parent company wants to share master data with subsidiaries that use different systems, then there must be a means of connecting the systems.

### How Microsoft Navision Helps You Share Master Data

Microsoft tools for electronic exchange of data allow the entire organization to share master data. One such tool is XMLports, which are used to create XML documents. These documents can easily be sent to and read by another application. For example, an XMLport can be created containing your product catalog and price list. This data can then be exchanged between a parent company using one system and subsidiaries using Microsoft Navision. Rather than imposing burdensome requirements on subsidiaries, which may have limited IT resources, both parties can rely on a straightforward and efficient means of exchanging data.

If the data you need to exchange with your subsidiaries is greater or more complex, then you can use an electronic data-exchange solution based on Microsoft BizTalk Server (Microsoft Business Solutions–Navision Commerce Gateway) in combination with the XMLports. Predefined document exchange functionality together with the XMLports allows the application to handle XML documents faster.

What's more, the combination of XMLports and Microsoft Navision's BizTalk Server solution allow you to meet the unique requirements of the subsidiaries. Thus, you get a standard method of exchanging master data with subsidiaries, yet at the same time, retain enough

flexibility to meet the individual needs of each member of your organization.

### Scenario 4: Sharing Responsibility for Services

There are a variety of reasons why an organization might decide to share the responsibility for certain services with their subsidiaries. The organization's customers might deal with multiple subsidiaries but wish to receive one invoice from corporate headquarters. Or, the organization may wish to divide tasks based on local competencies, such as production or distribution capabilities at the subsidiary level. An organization might also want to centralize the payroll or procurement process at headquarters for greater efficiency or to receive bulk discounts.

### How Microsoft Navision Helps You Share Responsibility for Services

Depending on your organization's needs, electronic exchange of data based on Microsoft BizTalk Server or functionality for intercompany postings might be the right solution for you. You could use Microsoft Navision's BizTalk Server solution (Commerce Gateway) to map between the hub and spokes' different systems taking into account any difference in currencies. Whether a purchase order were made via headquarters or locally at one of the subsidiaries, the experience would be the same for the user.

If, however, the parent company and subsidiaries work on a closed network (such as a virtual private network), are controlled by the same legal entity, and do not need to map the data that originates in the subsidiaries' systems, then you could use the Intercompany Postings functionality in Microsoft Navision. Intercompany Postings can help you create all the necessary documents (including sales and purchase documents and general ledger entries) for the entire workflow, for more than one company at a time.

The integration between hub and spokes for sharing services can help you achieve a more efficient workflow that reduces costs. What's more, subsidiaries may be more willing to adopt shared processes because you do not impose the corporate system on them. They will have the same user experience they are accustomed to in their Microsoft Navision system.

### **Scenario 5: Enabling Interdivisional Transactions**

This white paper has presented a number of scenarios where the hubs, or parent companies, interact with their subsidiaries, or spokes. Sometimes, however, there is also a need for the spokes to interact among themselves. For example, one subsidiary may act as distributor of a certain item. Or, as another example, divisions of a government agency with different competencies may need to interact in order to complete part of their workflow.

### **How Microsoft Navision Helps Subsidiaries Perform Interdivisional Transactions**

Microsoft Navision can be set up to treat interdivisional transactions as normal sales and purchase transactions between divisions to support an integrated supply chain. Just as with the interactions between hub and spoke, which we saw in scenario 4 above, the spokes can interact among themselves using a BizTalk Server solution to exchange data electronically, or Intercompany Postings, depending on their needs.

If two subsidiaries need to carry out transactions among themselves, you simply set up a customer account for each of the relevant partners. Microsoft Navision then treats them as they would any external customer and vendor. The transactions occur within Microsoft Navision, and time is saved throughout your organization because you eliminate multiple data entry as well as the sending, receiving, and printing of paper documents at the various sites.

### **Scenario 6: Responding Proactively to Business Events**

Every organization is part of a supply chain, and the hub and spokes that comprise part of an organization's supply chain are as varied as the organizations themselves. However, to one degree or another, the hub and its spokes are always interdependent. If certain events occur at the spokes, the hub must react. For example, if a manufacturer relies on one of its subsidiaries to deliver raw goods, and there is a delay, it can affect the entire supply chain. The hub must react. How much better though if the hub were in a position not just to react after the event, but to respond proactively before a crisis emerged.

### **How Microsoft® Business Solutions for Supply Chain Management – Navision Business Notification Helps You React Proactively to Business Events**

You can set up alerts in Microsoft Business Notification that will automatically generate e-mail messages to inform you of critical business conditions at your subsidiaries, divisions, or partners. Microsoft Business Notification helps you to improve management control of your business and the effectiveness of your business processes. It helps you stay aware of changing business conditions, and keep operations on track. You can use templates included with Microsoft Business Notification, and you can also set up your own alerts based on the way you like to run your business.

### **Conclusion**

Parent companies and their subsidiaries or divisions have different business needs, and therefore they require different business systems. The data in these different business systems must, however, be integrated in order for the organization to function as a whole. A system that is suited for this purpose makes it possible for the organization to move forward efficiently as one business unit, where the parent company is like the hub of a wheel, and the subsidiaries are like the spokes.

Microsoft Navision may be ideal choice for your organization because it is a standard solution, with effective integration tools, and enough flexibility to meet the varying needs of different business units.



### Learn More Information about Microsoft Navision

To talk to someone about how Microsoft Navision can help your organization, [Contact your local Microsoft Business Solutions country office](#):  
[www.microsoft.com/BusinessSolutions/worldwide.aspx](http://www.microsoft.com/BusinessSolutions/worldwide.aspx).

Or, Go to [www.microsoft.com/BusinessSolutions/Navision/default.aspx](http://www.microsoft.com/BusinessSolutions/Navision/default.aspx) to read case stories, and to find fact sheets about the tools described in this white paper:

- Business Analytics
- Business Notifications
- Commerce Gateway
- Industry Specific Solutions Tools
- Intercompany Postings
- Microsoft Navision 4.0 Developer Toolkit (which includes the upgrade tool)
- XBRL
- XML Document Exchange (XMLports)

### About Microsoft Business Solutions

Microsoft Business Solutions, a division of Microsoft, offers a wide range of integrated, end-to-end business applications and services designed to help small, midmarket and corporate businesses become more connected with customers, employees, partners and suppliers. Microsoft Business Solutions' applications optimize strategic business processes across financial management, analytics, human resources management, project management, customer relationship management, field service management, supply chain management, e-commerce, manufacturing and retail management. The applications are designed to provide insight to help customers achieve business success. More information about Microsoft Business Solutions can be found at [www.microsoft.com/BusinessSolutions](http://www.microsoft.com/BusinessSolutions).

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