

SAP Customer Success Story Automotive – Automotive Supplier



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Robert Crumley, Chief Executive Officer, S-Y Systems Technologies America LLC

AT A GLANCE

Summary

S-Y Systems Technologies America LLC, a Dearborn, Michigan-based automotive supplier with annual revenues of US\$400 million, used SAP® software to gain tighter control over the business, improve processes, and manage a complex supply chain to stay in step with key customers.

Web Site

www.systech-na.com

Key Challenges

- Bring outsourced business processes in-house
- Improve support for expansion

Project Objectives

- Implement new IT for enterprise resource planning without disrupting a fast-growing business
- Implement new supply chain software to meet aggressive deadline for supporting customer's product launch

Solutions and Services

- SAP R/3® software, functionality now available in the mySAP™ ERP solution
- Industry-specific software from the SAP for Automotive solution portfolio

Why SAP Solution

- Comprehensive support for back-office and industry-specific processes
- Integrated capabilities for the enterprise, which helps eliminate disconnects and redundancies

Implementation Highlights

- Put core finance applications in place in 90 days
- Rolled out new, sophisticated logistics and supply chain processes in just months
- Managed entire implementation with the help of just 2 consultants

Key Benefits

- Tighter management of programs and costs
- Ability to keep improving processes
- Near 100% delivery accuracy rates
- Ability to work closely with customers' production processes

Implementation Partner

Paskon Inc., an SAP partner

Database

Oracle

Hardware

IBM

Operating System

Microsoft Windows NT

S-Y SYSTEMS TECHNOLOGIES

Using SAP® Software to Stay in Step with Innovation, Growth, and the Customer

“If we had listened to the people who said enterprise systems are too complicated, too expensive, too fraught with launch problems, we would probably not be where we are today,” says Robert Crumley, president and CEO of the Dearborn, Michigan-based S-Y Systems Technologies America LLC (S-Y). Crumley is talking about S-Y's decision to implement SAP® software for enterprise resource planning – as well as SAP industry-specific software – and how it has supported the company during an impressive surge of growth over the last few years.

The Launch of S-Y

In 2001, S-Y was launched to develop, sell, and distribute integrated electrical and electronic distribution systems and smart power devices for vehicles. A joint venture of Siemens VDO Automotive and Yazaki Corporation, the company initially focused on program management, quality control, engineering, and sales, with outside partners handling the bulk of business and manufacturing processes. “The business model was very lean and simple. We just kind of peeled off the top layer of the supply chain as our layer, and outsourced capital intensive manufacturing and noncore business processes,” says Crumley.

But things soon changed. With operations under way, executives realized that it would be more effective to handle back-office processes, such as accounting and human resources, in-house. “From the beginning, the basic culture of the company has been to look for incremental improvements at every opportunity and to keep optimizing our performance,” says Crumley. “So we challenged our original assumptions and found that we could improve on them by taking on some processes internally.”

Making these improvements was no simple task, however. To do this, the company had to build a full set of supporting systems from the ground up. And as a new midsized enterprise that was already working closely with customers on critical projects, S-Y needed to get those systems in place quickly and smoothly, without disrupting the business.

A Platform for the Whole Business

To power its evolving business model, S-Y implemented SAP software to support a range of processes, including finance, human capital management, sales, just-in-time sequencing, purchasing, and electronic data interchange (EDI). In selecting a core enterprise system, the company looked at several possibilities and eventually chose the SAP solution because it offered an integrated approach to supporting diverse industry processes. “We believe in having data integrity and integrated systems where you put the data in only once. This avoids disconnects and redundancies,” says Nic Gaeta, the company’s CFO.

S-Y worked with Paskon Inc., an SAP partner, to implement and migrate the core financial applications in just 90 days and to complete the full suite of applications in just 6 months. As aggressive as the timetable was, the entire implementation was carried out with the help of just two consultants from Paskon. That lean approach was possible because of “close collaboration between engineering, business, and technology employees in setting up new processes and systems,” says Sharath Konanur, CEO of Paskon Inc.

With the new systems in place, S-Y has been able to manage its vital business processes in-house, while continuing to make them more efficient and responsive. It has also been able to manage its rapidly changing business (including the addition of a new material sequencing center in Chicago) – as well as concurrent growth that has taken the company from US\$20 million in revenue to some US\$400 million in three years. According to Crumley, this pace should continue for some time.

The software also supports S-Y’s innovative approach to managing the development and sale of products. “Our program managers are basically ‘mini CEOs’ of their programs,” says Christopher Longe, the company’s director of finance. “They have P&L responsibility, and they each run their program as if it were a company within SAP.”

The SAP software gives these managers the complete, integrated information that they need to oversee their programs effectively. “For example,” says Longe, “we’ve set up the system to give program managers a true income statement, where they can see the direct labor expenses and the people recording time against their program and how it’s allocated. The system has been really beneficial in enabling them to embrace their responsibility for P&L.”

Overall, the SAP implementation helped the company tighten control over its business and was accomplished efficiently and cost-effectively.

Tackling the Supply Chain

Shortly after the backbone enterprise resource planning software was implemented, S-Y faced another change – and a significant challenge. Ford Motor Company, a key customer, was planning to launch a new vehicle at its Chicago assembly plant and was creating an innovative supplier campus nearby to support the effort. To be part of the project, S-Y needed to set up an entirely new warehouse operation on-site and work in close concert with the manufacturing operations of Ford and its other suppliers, such as Visteon, Lear, and Brose.

“We needed to be both a tier-one and a tier-two supplier at that location,” says Mohamad Zahreddine, the IT director of S-Y. “As part of the plan, we had to sequence parts right to the production line. We basically needed to be an extension of

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Visteon’s line. To add to this complexity, we also needed to ship sequenced and bulk parts to Ford’s Chicago assembly plant via truck as well as repacked parts to various other customers.”

This requirement essentially moved S-Y into another segment of the business: the management of supply chain and logistics execution processes, which was new territory for a company that had been shipping products directly from its manufacturing partner to the customer. “Initially, we explored the idea of outsourcing the Chicago warehouse, as we also had to physically set up the warehouse, staff new people, develop new business processes, and carry out other untold tasks that are involved in setting up a new business and new warehouse,” says Zahreddine. “But, we decided that this was a really strategic operation for us, and that we could not hand it off to anybody. We needed to do it ourselves.”

The processes and products involved would be complex, and S-Y had to meet firm cost targets and deadlines in order to be ready for the vehicle launch. To handle it all in an integrated fashion, the company turned to software from the SAP for Automotive solution portfolio – specifically, software for supply chain management, logistics, inventory management, high-volume invoicing, warehouse management, mobile computing, and sequencing.

S-Y needed to implement its new software without delay, and there was little room for error. Again, working with just two external consultants from Paskon, the company had the core of the new system in place within just a few months, and then phased in the total solution to give employees time to adjust to new tools and processes. “We wanted the least amount of touch points where things could go wrong, so the integrated SAP solution made sense,” says Paskon’s CEO Konanur. “And because this was a greenfield site, we had to take into account staffing as well as the customer’s volume ramp-up schedule. We also didn’t want to throw a bunch of new solutions at people all at once. Without the involvement of key S-Y personnel at the right time and unwavering management direction and support, we could not have achieved this level of efficiency in such a short period of time.”

“The first phase was complete by January,” says Longe. “Knowing at that point that the vehicle was going to launch in volume in just six months – and that the customer was seriously counting on a successful Chicago launch – we had to be successful. We had an immovable short-term deadline, so systems and processes had to be robust right from the beginning.”

In Sync with the Customer

S-Y met that challenge, and the SAP systems were up and running well ahead of the July deadline. Today, EDI orders come into the 38,000-square-foot Chicago warehouse just three hours before parts need to be delivered to the customer. “We interpret the EDI 866, and then release the routing for the products that need to be picked to the warehouse,” says David Willemot, executive director of logistics at S-Y. “The sequencing operator pulls the blends of parts needed for each vehicle right from the SAP system onto the scanner.” These parts are then loaded in sequenced order onto racks at various sequencing cells in the facility. Materials requirement planning runs every day and replenishment releases go out to partners and vendors like Yazaki every morning via EDI, so that there is a constant flow of the correct engineering level of parts in the warehouse to manage this operation.

These activities can be complex and demanding. For example, the S-Y operation is adjacent to Visteon’s Chicago facility. Hundreds of times a day, automatic guided carts come from Visteon and wind their way through the building, dropping off empty racks, picking up full racks containing sequenced wiring harnesses, and then head back to the customer’s facility – all in just six minutes per sequenced rack. To supply the customer’s 1,000-vehicle-per-day output, S-Y operators ship three different product families, sequencing about 3,000 individual parts a day – a task that can be further complicated by ongoing engineering changes to the wiring harnesses.

As parts move through S-Y’s process – which typically happens quickly, because S-Y keeps only about a two-day supply in the Chicago facility – they are tracked using the SAP mobile computing capabilities. “The mobile devices are used for everything – for scanning, goods issue, sending the advanced shipping notification, tracking the quantities being released, physical inventory, and so on,” says Willemot.

Comprehensive Support for Change

The SAP technology has enabled S-Y to successfully insource a range of business processes and provides an integrated platform that can support change and grow as the company moves forward. “A key indicator of success is that we now have the ability to completely manage the order-to-cash processes within one system,” says Zahreddine.

In the Chicago facility, the software from the SAP for Automotive solution portfolio has helped S-Y fulfill two critical business requirements: meeting the tight cost targets according to the company’s agreement with the customer, and being able to support the full-volume launch of a new vehicle in a just-in-time environment. The software has also helped S-Y tame a complex and dynamic supply chain management process and maintain delivery accuracy rates at or near 100%. It has also helped S-Y in its efforts to support the innovative manufacturing approaches of a key customer.

With SAP software in place, S-Y has been able to gain better control over programs and costs, while focusing on continuous improvement and increased efficiency. “We are never satisfied with the status quo,” says Longe. “Already,” he adds, “executives see potential opportunities to use the SAP software to tighten links with customers and streamline accounting processes.”

“On the whole,” says CEO Crumley, “a key lesson here is that just because you’re a midmarket enterprise doesn’t mean that you can’t have creative and advanced approaches to solving business problems. These sophisticated concepts are doable and the software is affordable. You can’t get stuck in the stereotypical middle-market mentality of thinking they are beyond your reach. You have to think of the potential that is there, and be open to new ideas – to find the best tools and determine how you can use them in your business, no matter what size your company is.”