

SAP Customer Success Story High Tech



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Allan Rixen, Senior Director of Information Services, Avanex

AT A GLANCE

Summary

Avanex is a pioneer in intelligent photonic solutions that enable next-generation optical networks. It uses cross-industry software from the SAP for High Tech set of solutions – including mySAP™ Product Lifecycle Management (mySAP PLM) and mySAP ERP – as a platform for improving processes, increasing efficiencies, and integrating new acquisitions.

Web Site

www.avanex.com

Key Challenges

- Complicated IT landscape resulting from series of acquisitions
- Impaired responsiveness and speed due to fragmented view of the business
- Difficulty collaborating company-wide due to disconnected processes across business units and locations
- Need for more streamlined financial reporting
- Inability to comply effectively with regulations

Project Objective

Create an integrated, single system to support the seamless operation of a global business, as well as future growth

Solutions and Services

- mySAP ERP
- mySAP PLM

Why SAP® Solution

- Provides a single platform that supports a full range of enterprise and engineering activities
- Supports end-to-end processes
- Enables complete, detailed tracking of product information

Implementation Highlight

- Implemented a wide range of functionality – spanning several locations – in just 6 months

Key Benefits

- Enabled employees and businesses dispersed throughout the globe to work as “one company”
- Reduced turnaround on order acknowledgements from weeks to hours or days
- Improved ability to respond to changes in customer needs and market demand
- Improved time to market for new products
- Streamlined financial reporting and provided support for regulatory compliance
- Improved decision making, thanks to consolidated, accurate information
- Reduced costs and burden in IT department
- Enhanced collaboration among internal and external colleagues

Implementation Partner

System Integrators

Existing Environment

Non-SAP software

Database

Oracle

Hardware

SAP® Hosting/HP

Operating System

Microsoft Windows 2000

AVANEX

Integrating Acquisitions into a Cohesive, Efficient Whole Using Software from the SAP® for High Tech Set of Solutions

“We know that we’ll be able to integrate new companies into our infrastructure more easily,” says Allan Rixen, senior director of information services at Avanex, a pioneer in intelligent photonic solutions that enable next-generation optical networks. “And we know we have a solution we can grow with.” Rixen is talking about cross-industry software from the SAP for High Tech set of solutions, which the company recently implemented to help integrate processes throughout its expanding global network – while reducing costs.

The Fremont, California-based company provides sophisticated photonic components, modules, and subsystems that are used by clients around the world to improve connectivity, reduce costs, and increase capacity and speed in fiber-optic networks. Over the course of just one year, Avanex expanded rapidly, pursuing an aggressive acquisition strategy that saw the purchase of four businesses in the United States, France, and Italy.

Those acquisitions gave Avanex a broader global footprint for doing business. However, they also gave the US\$107 million company a fragmented group of applications that included four separate ERP systems and four different product-development systems spread across two continents and four locations. “We ended up with a complicated mix of technology,” says Rixen. “Seeing a consolidated picture of data for areas such as sales forecasts, sales orders, backlogs, inventories, and financials became more manual and challenging.”

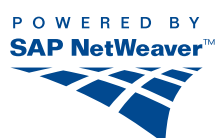
That situation complicated the company's internal financial processes as well. In addition to selling to customers, Avanex business units buy and sell a variety of products from one another – and the disparate systems and disconnected data made it difficult to keep track of these intracompany transactions. “Properly understanding the revenue and the cost of products across the different sites and business units was very complicated,” says Rixen. Avanex also found it difficult to effectively optimize supply chain processes and share information across functions and departments to support collaboration among its 900 employees.

Overall, Avanex executives wanted to quickly integrate those acquired companies into a seamless single entity, consolidate functions, and streamline processes – and in short, “get all the different groups on one company-wide system, so they could truly work as one global organization,” says Rixen.

One Platform, Many Processes

To create that kind of system, Avanex standardized on SAP® software, implementing the mySAP™ ERP and mySAP Product Lifecycle Management (mySAP PLM) solutions to replace systems from a range of other vendors. With mySAP ERP, the company targeted the consolidation and streamlining of financials, sales and distribution, purchasing, and corporate services processes, as well as the enhanced control of its outsourced manufacturing operations. The mySAP PLM solution helped improve the company's ability to manage, track, and control product-related information, enabling engineering and manufacturing groups to work together more closely.

The ability to support this wide range of processes with one integrated set of applications was key to Avanex's selection of SAP software, says Rixen. “It was important for us to reduce the number of vendors we dealt with,” he explains. “More important, we wanted to eliminate the issue of having to maintain different applications and the interfaces between them. Otherwise, it becomes very difficult to do proper upgrades, maintain systems, and keep up-to-date with the latest technologies. Ultimately, those different systems tend to become out of sync with each other.”



Avanex implemented mySAP ERP and mySAP PLM in just six months – a short time frame, considering the multiple locations involved and the variety of systems it had to replace, says Rixen. In addition to being fast, the implementation went smoothly. “We did not have any customer interruptions or complaints, which we think is a good way to measure the success of the implementation,” he says. The implementation process was also made easier by the fact that the solutions – which are hosted by SAP – are based on the SAP NetWeaver™ platform, which enables them to work easily with Avanex's existing IT infrastructure.

Seeing the Whole Picture

The combination of mySAP PLM and mySAP ERP gives Avanex's business units a clear, end-to-end view of all product-related business processes – from initial idea, design, and engineering to

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production ramp-up, product change management, service, and maintenance. With that integrated, comprehensive view of the business, Avanex has been able to significantly improve processes in several areas.

For example, in the past when engineers working on prototypes of new products needed parts, they generated a list in their product-development system and gave it to purchasing to be rekeyed into the enterprise system so the parts could be ordered. This typically resulted in delays, back-and-forth discussions to clarify requests, and errors. “It could be a very elaborate process,” says Rixen, “Now, engineering and purchasing are integrated right from the start. We have those prototype parts tracked in the same single system that is used by everyone. The parts are flagged as engineering parts so they don't get moved into the manufacturing process, but purchasing can go ahead and buy them right away.”

With the SAP software in place, Avanex employees in various locations can draw on a single global repository of detailed product data that gives them visibility down to the individual serial-number level. They can also share drawings and documents with ease and smoothly move work from site to site – opening the door to virtual 24-hour design center operations that can speed up the rigorous development and testing cycles that go into Avanex’s products. “The ability to have several groups work on something simultaneously, rather than in sequential steps, shortens the amount of time it takes to move from the engineering and design stage to actually having the product ready for the customer,” says Rixen.

With integrated information and consistent processes, engineering and internal manufacturing operations can work together more closely, cutting time and handoffs out of processes. “The solution is an effective collaboration tool – not only for those groups, but also for our external contract manufacturers in locations such as China and Thailand, who today handle about 50% of our manufacturing,” says Rixen. “Before, we would send them changes to bills of materials and documents via e-mail and spreadsheet. They can now go directly into the system themselves and download the information they need. That makes a big difference: it gives them more time to adjust and respond to changes, and it ensures that they can always work with the latest information.”

Integrated, Efficient, and Agile

Once the new systems were in place, a number of benefits quickly became apparent in many parts of the company – starting with the IT group. “The hosted solution,” says Rixen, “has taken a huge burden from us. We are reducing costs, and our users are getting much higher service levels.”

Beyond the IT group, the SAP software gives Avanex as a whole a universal technology platform that lets the company’s far-flung global operations work as a team. What’s more, Avanex managers now have a fully consolidated picture of everything from orders to inventory to financials, and the company has all its documents and information about materials, components, and finished goods in one system. Having that consistent, integrated information at hand helps cut down on the time it takes to get products to market and enhances the company’s ability to respond to shifts in customer and market needs.

“Our customers want to be able to call in and make a change and get an acknowledgement back on whether we can do it or not,” Rixen explains. “We can now give them those answers faster than ever. It sometimes used to take weeks, and now we are down to hours or days. In general, we’ve been able to provide shorter lead times and update customers and our own operations faster when any changes come up.”

Back-office processes have benefited from the new approach as well, in the form of increased efficiency and the ability to provide decision makers with better information. For example, Avanex can now track profitability by business unit, product family, and product line. The company has also consolidated finance functions, eliminating redundant systems and resources and making it possible to bring some previously outsourced finance processes back in-house. “When we were using outsourced services, we were given accounts payable and accounts receivable numbers at the end of the month,” says Rixen. “Now we can run those numbers as needed.”

The centralization of the finance function has also helped Avanex contend with today’s strict accounting regulations with accuracy and confidence. “The consolidation capabilities and centralized reporting are huge benefits for us, because we now rely less on various spreadsheets distributed around the company,” says Rixen. “We are currently going through the full Sarbanes-Oxley compliance process, and we are using SAP software to take care of the controls and reporting we need.”

In the coming months, Avanex plans to continue to build on this SAP platform. The company is already working on pilot solutions that use the SAP NetWeaver business intelligence and enterprise portal capabilities to give decision makers balanced scorecards and performance dashboards and to provide information access across its global facilities. Such capabilities – and the integrated, scalable platform that the SAP solutions provide – will play a vital role in managing the company as it continues to make acquisitions and expand in the coming years. “We know that we’ll be able to integrate new companies into our infrastructure more easily,” says Rixen, “and we know that we have a solution that we can grow with.”

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