ATW
Encompix® ERP

Encompix ERP Passes ATW's Test

Assembly & Test Worldwide, Inc. (ATW) is a global leader providing automation systems and solutions fundamental to the assembly, testing and packaging of a wide variety of consumer and industrial products.

The company is made up of 6 facilities (5 divisions), Advanced Assembly Automation (Dayton, OH), Advanced Technology & Test (Livonia, MI), Assembly Technology & Test (Saginaw, MI), Detroit Tool & Engineering (Lebanon, MO), DTE Engineering Center (Vernon Hills, IL) and Assembly & Test - Europe (Neuweid, Germany).

To maintain its leadership position in the industrial equipment market, ATW needed to streamline its operations to reduce cost and improve delivery times. They recognized that their disjointed business systems were a limiting factor to improve operational performance.

Joe Osterday, director of finance, remembers the problems the Dayton facility faced on a daily basis. "We didn't have an integrated system. We used MAS90 for financial accounting and purchasing and custom-written software for operations. We moved data back and forth between the two systems. If mechanical design put together a parts list or BOM and sent it over to purchasing, they would re-enter the data into MAS90. So if there was a problem, then purchasing just fixed it. The same was true with accounting. Information never feed back through the system to fix the original problem."

Jamie Bailey, information technology manager, recalls "the custom software was a maintenance nightmare. It had no system administration functions so everything had to be managed by programmers. They developed it and they maintained it. There was a lot of back door knowledge required just to keep the system running."

Search for a New System

ATW decided that they were not in the software business and started looking for a new system in June 2001. ATW evaluated seven different ERP systems but Encompix was the only one that fit their business model.

"In our environment everything has to be purchased directly into work-in-process (WIP) against the job. The major stumbling block in nearly all those packages was everything had to go into inventory and then into WIP. That's a problem because we just don't function that way," said Joe Osterday.

One of the main criteria for a new system was a single database, Jamie Bailey explains. "We had the classic islands of automation. We had seven different products, with interfaces from one to another. This created a very complicated environment. Although the system was stable, we needed expert resources just to keep it running. As we grew it became harder and harder to give our users the capabilities and information they needed to run the business."

Encompix was selected by ATW in December 2001. With 183 employees, the Dayton facility was chosen as the first site to implement Encompix system.

Encompix's focus on engineer-to-order (ETO) companies played a big part in the decision.

"Encompix has a focus on ETO whereas the other products we looked at focus on make or assemble-to-order. They have tried to move towards ETO but in some cases hadn't done it very well. Quite honestly, you don't need a lot of set-up to get Encompix to work. You can open up a project and start charging labor, material, and overhead — it's that simple," said George Seidler, director of information technology.

Migrating from a custom-written system to a standard package can sometimes lead to a lot of modifications.

"The real question is do modifications add value to the business, or is it just a case of personnel preference? In most cases I suspect that a large volume of the custom work was a result of personnel preferences by the reigning department head. We are trying to stay with the standard system. We want to stay on an upgrade path," said George Seidler.

Top management involvement is the key to any successful ERP project. At ATW the general manager, vice president of operations, and all the department heads were heavily involved.

"We did a lot of PR early on to get people committed. I think that was one of the main reasons why we had a successful implementation. We believed this would produce a more sustainable effort to get the system implemented," said George Seidler. "The implementation methodology we used was very solid. We kept it simple and basically did what was required to go live. Our approach was to not make any immediate changes other than to stabilize the system for a couple of months."

Implementation in Five Months

ATW started their implementation in February 2002. On July 1, 2002 they went live on Encompix.

"We closed out what we could in the old system and then transferred the open jobs to Encompix. We got everyone in the organization focused on making the new system work as opposed to trying to manage two systems," said George Seidler.

Besides top management commitment, education and training, taking ownership of the system is a key element of success.

"Although we held Encompix to a high standard, we realized that the system is our system and we took ownership. We tried to keep the words "Encompix's system" out of our vocabulary. The quickest way to start optimization is for individual users to become owners of the system. We kept the consulting dollars affordable by simply using Encompix where their expertise was required; they forced us to take ownership of our project," said George Seidler.

Currently ATW has 30 users running Encompix software. This is expected to grow to between 60 and 75 when all three facilities (Dayton, Saginaw, and Livonia) are fully implemented.

Reaping the Benefits

On the financial side, month-end closing has improved dramatically.

"Before it used to take us eight to ten days. Now we close our books in three days," said Joe Osterday. "We now have less people in finance and there will be fewer people in purchasing. The number of people it takes to create parts lists and BOMs will be less as we move forward.

"Giving people more time to do their jobs and eliminating non-value activities has improved productivity in many areas.

"We have eliminated the reconciliation between multiple systems. In the past the reconciliation process consumed an awful lot of time with no value-added to the organization," said Jamie Bailey. "It doesn't necessarily mean that we will reduce the workforce, but people will be able to concentrate on more value-added tasks, which really is the key. Encompix has given us more time to focus more on the customer."

One of the concerns was that Encompix might be a step backwards for project managers.

"The project managers had a very sophisticated project management system before and some people were concerned that we might take a backward step. That hasn't been the case," said George Seidler.

"The project managers now really understand the benefits of an integrated system. They can now see if a part has been ordered and check order status and delivery dates. They never had that visibility before. Everyone now sees exactly the same thing as they are all working with a common database," added Joe Osterday. Greater efficiencies will improve purchasing performance and produce more accurate estimates.

"Encompix will allow purchasing staff time to really negotiate deals instead of just creating the purchase order and getting it out. Before Encompix, speed was of the essence. Now budget and quality come into play as well as the production schedule," said George Seidler.

"Now we look back and see some of the improvements we have made regarding the quality of labor reporting. A lot of labor was not accounted for in the old system. Basically we had too much fluff or inaccurate data so our estimates to the sales force weren't as accurate as they should have been. So I think there are two benefits. First, it keeps us away from unprofitable business. Second, puts us in a more competitive position in the projects that we really want to win — that's where the larger gains are going to come from," commented George Seidler.

Future Benefits Expected

"We hope to able take on more business without proportionally increasing indirect headcount. Another division has doubled in size with very little increase in indirect expense. This meant that their systems supported the increase volume of business. We are expecting the same thing in our Dayton, Saginaw, and Livonia plants with the use of Encompix as well," said George Seidler.

"We have seen some reductions in lead-time, but this is difficult to gauge as our customers are always pushing for shorter delivery times. Streamlining the process between engineering and production helps us. If it takes less time to prepare the data for production and we have more time to purchase material, our overall lead times will be reduced. In this tough economic climate we are being squeezed on margins. If we had continued with our old system we would have had seen margin erosion," said George Seidler.

"We may not be Encompix's biggest customer but we feel that Encompix is the right size organization for DT Industries. They really spent the time to understand our business and address our concerns," concluded George Seidler.