

ERP And The ETO Manufacturer***New Technology Meets the Competitive Global Manufacturing Market***

By Thomas R. Cutler, Technical Writer

Since 1952, B&K Corp. has been designing and building assembly and test systems for the automotive industry. Six years ago the firm was purchased by a German organization, IWKA, which is an international network of nearly one hundred mid-sized companies. B&K is currently part of the IWKA Powertrain Manufacturing Group and customers include Harley Davidson, Nissan, General Motors, DaimlerChrysler, Ford Motor Company, Allison Transmissions and many other automotive top tier clients. B&K does not manufacture simple products; in fact the products are quite complex, taking six months to a year to produce. The price tag for complete system ranges from half a million dollars to \$2.5 million. Recently, the company received its largest order, worth over \$20 million. The Saginaw, MI, facility manufactures the test equipment, and the Fenton, MI, location builds the assembly equipment and completes the overall system.

Global competition

B&K CEO, Scott Orendach, noted the increasing challenge of global competition, "The marketplace has become far more global. We are dealing with competitors in Europe and in Asia. Our customers are looking for suppliers that have common manufacturing practices all around the globe, so we are now facing some pretty serious competition. We have currencies working both for us and against us. All of these things put pressure on B&K to address its cost issues, and standardize and modularize its products."

B&K CFO, Kurt Kuck, was up front about some of the operational problems the company faced prior to the implementation of new technology solutions designed for custom ETO (Engineer-to-Order) manufacturers. Kuck emphasized, "We are a special order business. Every order we get is different in some regard, but many of our machines have some commonality to them. Our tendency was that when we received a new order, we had no simplified method of identifying what we could use from previous orders. This approach just added to the cost. What was needed was some standardization."

The ERP solution

Prior to the new ERP (Enterprise Resource Planning) implementation, B&K used another product management system from a different vendor. Kuck noted numerous limitations, "It was fine for tracking material and labor cost, but what was lacking was the capability to bring it altogether into a job cost system that we could use for percentage of completion. So we ended up with a dual system using Microsoft Excel spreadsheets for the job cost. There was a lot of manual input into Excel. This was very labor intensive, wasted a lot of time, and didn't give us real-time information."

There was a catalyst for technology change at B&K; building large assembly systems was a relatively new market for the firm. Assembly equipment has more standardization than test equipment and the company was having a hard time being competitive in the market. The problem was the cost structure due to a lack of enough standardization. Kuck admitted that they considered the option of upgrading the old system. It would have been less expensive, but would only provide a year of cost saving.

B+K's technology selection process was quite organized. They formed a cross-functional team representing key areas of the business. Their task was to go to the marketplace and evaluate the best ERP products. The result: one year ago B&K went live with the new Encompix ERP system and currently has 68 users across both plants, and expects to increase to a hundred users in the near future.

In just six months with the new system, there were significant improvements. According to Chuck Stewart, Executive Vice President at Encompix, "We were able to provide B&K vastly improved information. They are able to conduct monthly project meetings with the project managers and engineering using real-time data. They are able to see the exact status of all projects."

Moving ahead

Kuck identified that the new system allowed the business to move towards standardization. Kuck was especially pleased with "The Item Master" in the new ERP system, "It plays a central role in this initiative. We used to have a cultural problem with our engineering department towards standardization and modular design. We also needed to control our raw material costs and purchasing; we can now look at historical pricing so that we know when we're getting the best buy."

Orendach sees this new technology solutions provider as a strategic partner. He suggests it is central to forming a competitive advantage, "We are moving into new markets. We are opening a facility in China to support the Asian markets. We are working ever closer with our European sister divisions on common designs for both sides of the Atlantic, so as a corporation we can take advantage of currency exchange fluctuations. It may be more economical to build products in the U.S. this year based on the value of the dollar, but things change and next year it may be more economical in Europe. Therefore, it is essential that we have common engineering for both the USA and Europe."

With a progressive global initiative, cutting-edge ETO ERP technology, and a competitive spirit, there is little doubt that the B&K story will be told for another fifty years

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