



**BUSINESS
CASE
STUDY**

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Suppliers Join the Team

SupplyWorks MAX helps automotive supplier BorgWarner Morse TEC connect with its entire supply chain without cost to suppliers.

One of the barriers that blocks successful supply chain management implementations is the inability to get all suppliers up and running on the system. Many suppliers simply can't manage or afford to create separate connections with each customer they supply and not all suppliers, particularly small suppliers, can afford the implementation and infrastructure costs associated with some systems. To get suppliers at all levels on board, it helps if the system is both easy and inexpensive to use. BorgWarner Inc.'s Morse TEC division (Ithaca, NY) found a way that was both easy to use and costs suppliers nothing to get connected. The product BorgWarner Morse TEC chose was SupplyWorks Inc.'s (Bedford, MA) SupplyWorks MAX Web-based supplier

relationship management (SRM) application suite.

BorgWarner Morse TEC designs and manufactures automotive chain systems and components for engine timing, automatic transmissions, and four-wheel drive applications. This division contributed approximately \$500 million to the company's combined sales of \$2.7 billion for 2001. BorgWarner Morse TEC has facilities in Canada, Mexico, and Ithaca, New York.

SupplyWorks MAX is a set of applications that helps customers exchange information and communicate efficiently with suppliers. It is designed to streamline and automate the procurement of direct materials and optimize the flow of parts and materials into manufacturing organizations. It also provides visibility into the supply chain, performance measurements, and supplier analytics to help improve business processes.

Before bringing in SupplyWorks MAX, BorgWarner Morse TEC largely relied on manual processes to manage its global supply chain. Like a lot of companies, those processes worked until company growth and increased supply chain complexity pushed those manual processes beyond their limits. The company felt it had to automate its scheduling, inventory management, communications, shipping and receiving, and payment activities to better manage its supply base, starting with a key plant in Ithaca, New York.

"Our first goal was to address pure operation issues," says Jackie Bangs, vice president of business systems and logistics at BorgWarner Morse TEC. The company also wanted greater visibility into its global supply base, to improve its inter-group planning activities, and to improve its overall capacity. "Before SupplyWorks MAX, we did a lot of counting inventory, did the planning when we could because it was such a cumbersome process, had too much inventory and too much premium freight because we didn't have the right material when we needed it," Bangs explains.

BorgWarner Morse TEC chose SupplyWorks MAX, says Bangs, because of the product's focus on managing the supplier relationship, improving the procurement process, and improving the company's ability to plan and schedule supplies. "With SupplyWorks MAX, we've been able to better plan, proactively manage our supply chain, and position ourselves for growth and more complexity," she says. "We've already reduced planning time, working capital, in-bound premium freight, overall freight, and accounts payable and receiving time. We also reduced our manufacturing downtime."

Today, BorgWarner Morse TEC begins its procurement processes by looking at its MRP demand from its J.D.

IMPACT STATEMENT

Technology:



- Implement SupplyWorks MAX supplier relationship management suite to replace manual systems
- Integrate SupplyWorks MAX processes with J.D. Edwards ERP system to automate business processes
- Assign system hosting to SupplyWorks to eliminate security and uptime concerns

Organization:



- Increase the time available for value-added activities
- Automate existing business processes, but don't forget about changes being considered
- Manage growth and complexity of global supply chain

Management:



- Anticipate ROI in the first year
- Expect greater global visibility
- Position the company for the future and create better connections and relationships with suppliers

New MAX Upgrade Contains Rules Engine

Edwards & Co. (Denver, CO) ERP system. Then, using SupplyWorks MAX's online collaboration capabilities, the company works with suppliers to develop and get commitments on a schedule for delivery. To work in the SupplyWorks MAX system, suppliers simply sign on. Once all parties agree on the schedule, suppliers post their commitments. When the products ship, suppliers create the advance-shipping notice (ASN) that is then transmitted back to BorgWarner Morse TEC so the company knows what inventory is in transit and can pass that information on to the ERP system to match the receipt with the purchase order when the shipment arrives. That data is also fed into the receiving and payment applications.

"When we receive the product, we scan the bar codes which are tied to our evaluated receipt process. All of this is tied into our receiving and inventory systems. That's the prime use right now, the day-to-day forecasting, releasing, receiving, and paying suppliers," says Bangs. The SupplyWorks MAX application has already become the key communication channel for BorgWarner Morse TEC and its suppliers. "There are also several alerts for suppliers but they also log in regularly," adds Bangs.

What BorgWarner Morse TEC really wanted was an easy-to-use way to better communicate and exchange data with its supply base. A big issue was how to do just that with small suppliers with limited budgets. A few of its larger suppliers communicated via EDI but smaller suppliers couldn't afford that infrastructure. Now those suppliers also have an electronic connection to the data they need.

Because SupplyWorks MAX is a Web-based, hosted solution, there is no charge to suppliers for software or to use the system. For now, the system is being hosted by SupplyWorks because hosting applications isn't part of BorgWarner Morse TEC's core expertise. BorgWarner Morse TEC also doesn't have to deal with the security and uptime issues. The company considered hosting the application but "we compromised," says Bangs. "We'll have them host it until the economics make it feasible for us to host it ourselves."

SupplyWorks recommends T-1 level connections for best results but it will work over slower connections. One drawback to a low-bandwidth connection is that there's less desire for suppliers to use it. "We encourage our suppliers to get cable or some other high-speed connection, which helps the adoption," says Bangs.

Though integration technologies are reducing the time and effort required to

SupplyWorks was expected to release version 3.0 of its SupplyWorks MAX SRM software last month. Version 3.0 adds new levels of functionality in material planning collaboration, logistics services, and vendor managed inventory (VMI). This new version includes a configurable rules engine to help optimize material plan collaboration to provide manufacturers and their suppliers with real-time views of production needs and also helps align supplier shipments with production needs.

The new logistics capabilities let manufacturers integrate SupplyWorks MAX with third-party logistics provider systems to streamline transportation and offer real-time visibility into incoming inventory. SupplyWorks MAX also provides suppliers with more tools, such as authorization for material releases, generation of bar codes, and creation of advance-shipping notices to support VMI processes. The company has 12 customers using its SRM software.



"Customers want a straightforward SRM solution that will give them fast ROI at low risk, while also providing them a platform that they can build out and grow with over several years," says Jeff Herrmann, SupplyWorks' president and CEO. "Customer adoption of SRM is dependent on their confidence that they're buying a comprehensive solution. We continue to enhance SupplyWorks MAX with capabilities driven by our customers' supply management goals."

integrate applications, the process should not be underestimated. In this case, the integration with the company's J.D. Edwards system was more difficult than expected, says Bangs, because of the complexity of the ERP implementation. The company was also putting in the new ASN interface and a new process for evaluating receipts and paying suppliers. Bangs is quick to point out, "All that made it more difficult but not because of shortcomings in the product or SupplyWorks."

With this initial implementation, the company didn't change its business processes much, but is likely to in the future. One of the new processes the company is considering is vendor-managed inventory (VMI) or replenishment based on demand. The VMI process would work only in some selected areas, says Bangs, and it would only work with suppliers who would also benefit from that process. "We'd also have to look at their performance history and our inventory needs and where they are in the supply chain," she notes.

Supplier training was minimal. BorgWarner Morse TEC provided a training guide and a four-hour training session. On the other hand, training the internal buying community was more difficult. "Our suppliers were better at adopting the system than our internal buyers. Our biggest paradigm shift came with our internal planning people and had to do more with the lack of trust in our

old system and thinking this was just going to be another problem than anything else," says Bangs. Since the system gets information to suppliers faster and at no added cost, suppliers are eagerly using the system and putting pressure on BorgWarner Morse TEC to finish the rollout. "It's much better than our old paper system," she says.

The return-on-investment has been impressive. Though Bangs couldn't divulge actual figures, BorgWarner Morse TEC was able to justify its investment based only on their direct material implementation in one of the plants in New York. Plans also include implementing the system in the other New York business unit as well as Canada and Mexico. And the company anticipates getting its return-on-investment by the end of the first year.

When the other implementations are complete, Bangs says the company would like to do more with the quoting and sourcing processes and use SupplyWorks MAX more strategically. Having all the data from the execution side makes that possible.

So far, the system hasn't replaced any people, though some changes are expected. Maybe the biggest benefit to the implementation is that "people haven't been re-deployed physically as much as they've re-deployed what their brain is doing," says Bangs. That's something almost every company could use, more time for people to think of ways to improve and add value. MA