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# ESAB Welding White Paper

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ERP Support

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## **How is business stability maintained while implementing a new ERP system?**

The potential for business disruption is enormous before, during, and after an ERP implementation. How do you address the challenges of supporting an existing system while implementing a new system? Learn how to identify the challenges and discover potential resolutions. Additionally, this white paper includes a current case study giving the reader information on the resources and services available from VIRTUTEM to assist companies during ERP implementation.

### **Introduction**

Do either of these situations sound familiar?

1. After careful consideration, your company has decided a new software solution should be implemented in order to stay competitive in the marketplace.
2. Your company has either merged with or been acquired by a firm using a different software platform...and it's your company that has been designated as the one to make the change.

CFO's, CIO's, COO's, IT, and Human Resources all have concerns to make sure the business runs smoothly before, during, and after implementation. These may be their concerns:

- The CFO: Control costs
- The COO: Don't disrupt the business
- The CIO: We need it yesterday
- Human Resources: Train the staff and minimize turnover
- The IT Manager: Now what?

How do you reduce the risks to your existing operations while implementing a new ERP system? This white paper describes procedures, techniques, and recommendations that can address your concerns.

## Overview

Today's business climate demands that enterprises maintain a competitive edge. To realize an advantage, companies must be able to create innovative, high-quality products and services and quickly bring them to market. At the same time, the business must optimize profitability by improving efficiencies, increasing productivity, and driving down costs.

For many companies, implementing a new ERP software solution is a key factor in the ability to compete. As companies evolve, they need to respond to changes in the marketplace and within the organization. Likewise, the existing ERP software system must continue to support the business fully while the new platform is being implemented. Planning for a successful implementation includes evaluating the company, its employees, and its communication, containing costs, maintaining production continuity, and more. Reining in these issues allows the selected ERP package to show measurable improvement for the company's bottom line.

It is critically important that all of the key participants meet early in the project preparation phase to review the project plan and make sure everyone's questions and concerns about the implementation are addressed. Clarify all real risks that might disrupt normal operations or cause critical data loss.

## Considerations

As managers plan for the future, obsolete technology, out-of-date applications, heavily modified systems, and unmanageable system growth can drive the need to upgrade to a new platform. Among the many benefits associated with making a change to a company's ERP are:

- **Enhanced Performance.** Often the existing ERP system has been heavily modified. Transitioning to a new ERP system allows your company to develop reports that meet today's needs. It also diminishes the costs associated with modifying the system in order to create reports.

- **Increased Utilization.** Your IT department “should” be more fully utilized when the company goes live with the new ERP. Their success or failure is largely dependent on the training they receive during the implementation.
- **Upgraded Technology.** Often, the expected savings of the new ERP in terms of employee efficiency and system maintenance can help justify anticipated capital expenditures and provide a quick ROI.

Understandably, managers are apprehensive about how their business might be affected during the implementation of the new ERP system. The following challenges need to be considered when moving from one solution to an entirely new system.

### Managing Costs.

1. **Implementing a new system is already expensive, but the cost of disrupted business could be fatal.** The most common directive given to those tasked with implementing a new ERP system is “Don’t aggravate the existing operations.”
2. **Personnel costs.** The existing IT staff needs sufficient time to be trained on the new system...but that training cannot take time away from running the day-to-day operations. Trying to do both can mean that neither system is given adequate attention.
3. **Software modifications cost time and money.** Over time, it is common for ERP systems to be modified to address ever-changing business needs. Likewise, a company’s existing system will likely need “tweaking” during an ERP implementation, especially if the implementation is lengthy.

## Cost Management Techniques.

1. During an implementation, companies often **backfill their in-house IT staff** with fully qualified consulting firms. Consultants can provide the continuity of running the existing system while the staff is trained and the new ERP system is installed. This approach frees up staff to learn the new software and hit the ground running on Day 1 of the “go live.” If the current staff is stretched too thin, mistakes are made...and chances for a successful implementation decrease.
2. It is often beneficial to **designate one person to determine which modifications should be approved to the existing system** and develop the methods to determine how modifications are approved or disapproved. This person can be either an in-house manager or a dedicated consultant assigned to your company.
3. Many companies **contract with consultants to be an extension of their IT departments**...a “faucet on, faucet off” approach. When the workload increases yet aren’t significant enough to require hiring a new full-time employee, companies often look externally on an as-needed basis to handle the overflow. A contracted consultant is there when needed for a specific time and purpose.
  - a. Often, the supplemental external staff is necessary to fill a higher or different level than the existing staff, for example, IT training, web development, mobile applications, etc.
4. If a consulting firm is selected to manage the costs associated with implementing a new ERP system, that firm needs to be involved in **dialogue with the decision-makers from the very start**. It is only possible to hold down the costs of the existing system if everybody knows the parameters.

## Managing Disruptions.

1. **System stability** is paramount to a successful implementation. The risk of losing critical data is real. Recognizing it as a potential disruption to everyday operations is a must.

2. Likewise, there is a risk to **organizational stability** during implementation. Employees who do not feel supported by the company as they train in the new ERP solution cause turnover, and that turnover can have devastating results for the company.
3. The **length of time** implementation will need a potential disruption. If the implementation goes long, costs increase. Likewise, a quicker implementation can affect how well-trained users are in the new system.
4. **Integrating the new ERP with the current ERP** can disrupt existing systems and processes. The demands on networks and hardware must be determined.

### Techniques to Manage Disruptions.

1. **Get the users involved.** When users are included in the implementation, the result is positive. Users need to claim ownership during implementation, both in the design and the “go live.”
2. **Communicate, communicate, communicate.** This is not the technique to overlook when preparing the project plan. Executives, managers, and staff must be kept current on project variables, schedules, and costs.
3. **Minimizing disruption goes hand-in-hand with containing costs.** Companies cannot sacrifice one for the other. When the plan is thorough and agreed-upon, it must be followed. If there are changes to schedules or unforeseen costs, modifications to the plan must be made with buy-in by all.

### A Case Study: ESAB (Florence, SC)

ESAB, founded in 1904 by Swedish inventor Oscar Kjellberg, is a world leader in welding products and advanced cutting systems. ESAB invented the welding process as we know it. The brand is synonymous with global expertise in

- Manual welding and cutting equipment

- Welding consumables
- Welding automation
- Mechanized cutting systems

In 2012, Colfax Corporation, a world-class global industrial enterprise, acquired ESAB. As with any acquisition, there were numerous challenges presented. There were personnel issues, staff changes, new facilities, and the consolidation of America's IT operations from a regional to a global focus.

Before the acquisition by Colfax, the ESAB facility in Florence, SC (hereafter referred to as ESAB-SC) had begun the process to implement SAP. In 2010, ESAB-SC contracted with Virtutem to provide BPCS support to the company during the transition from BPCS to SAP. Virtutem, recognized as a premier BPCS expert, was tasked initially with keeping ESAB's business running with minimal disruption while the SAP Blueprint was developed and implemented at a new ESAB facility in North Carolina.

Every implementation involves a certain amount of risk. One of the keys to success is putting the right people in the right spots. Implementing SAP would be one of the most demanding tasks the ESAB-SC IT staff would encounter. VIRTUTEM was selected to minimize that risk by freeing up ESAB-SC staff to focus on the SAP project, assuring them that the BPCS side of the business was being fully supported.

While this sounds like a clear directive, potential obstacles impacted the project. In particular, a subsequent change in the CIO position and the acquisition by Colfax could have thrown the SAP implementation into a tailspin. But that didn't happen. The common denominator through the internal challenges was the trusted on-site team supplied by VIRTUTEM.



ESAB-SC has long been running BPCS, a solution serving them well. In 2010, the decision was made to implement SAP to unify platforms in the Americas. As part of the analysis, ESAB-SC determined that they needed a full-time, on-site application manager to design, implement and manage a process to control changes being made to the BPCS software while ESAB-SC was implementing SAP. In addition to managing the modifications and their associated costs, ESAB-SC had a talented IT staff fluent in BPCS, and they would only thrive within the SAP environment if they were fully trained. Their workload needed to be reduced to allow them to transition to the SAP project.

Enter Virtutem. ESAB-SC needed backfill support, and they wanted to control costs without sacrificing value. Virtutem, however, was not their first BPCS partner. ESAB-SC was unhappy with their incumbent BPCS provider and the CIO at that time reached out to VIRTUTEM. The relationship began slowly with a forecasting assignment and grew to that of VIRTUTEM seen as a trusted advisor to ESAB-SC.

A full-time, on-site application manager was placed at ESAB-SC in 2010. This VIRTUTEM consultant provided ESAB-SC with experience of 30+ years in IT management, including experience as a CIO for a large multi-national corporation in the automotive manufacturing industry. In Phase I, he was the resource to keep the business running on BPCS so the in-house staff could focus on training in and implementing SAP. The VIRTUTEM project manager initially supported the ESAB-SC application development process, and this phase lasted just over a year with a full-time on-site presence.

During Phase I of the SAP training and implementation, the Colfax acquisition was completed and a change occurred in the CIO position. Fernando Leite came in as IT Director Americas in mid-implementation. He performed his evaluation of both the transition process to SAP, and also of Virtutem as the BPCS manager. He found high user satisfaction with the way the business was being supported by VIRTUTEM and saw no reason to fix what wasn't broken.

Leite said, "We knew the technology worked and it was all about our people. Virtutem helped us keep the lights up and running during times of great change to our organizational structures and our very way of doing business."

Phase I involved managing the development of modifications to BPCS. It was important to ESAB-SC that BPCS costs were tightly controlled as it was not the solution chosen to move the company forward. Technology leadership alone was not enough. An environment this crucial to ESAB-SC's success demanded first-rate service and support through every implementation phase. VIRTUTEM provided managerial and technical leadership to ESAB-SC.

With the internal changes occurring within ESAB-SC, implementing SAP was drawn out, and the company needed a prolonged support commitment from VIRTUTEM to backfill BPCS operations. VIRTUTEM was fully able to meet this need, using a mixture of on-site and remote staffing. The VIRTUTEM consultants used their BPCS and SAP expertise to augment ESAB-SC's staff, helping minimize the risks during implementation.

In addition to supporting the ESAB business, the resulting Colfax acquisition required regular reporting. Whether the reports were generated via BPCS or SAP was inconsequential. Colfax simply needed the information.

Following the Phase I segment of application development and a manager on site 100% of the time, VIRTUTEM transitioned to two remote senior support consultants who fully replaced the ESAB-SC IT team.

One of Leite's requirements was that the Virtutem consultants would be onsite every other week. He said, "Our assigned Virtutem consultants needed minimal oversight and that allowed my focus to be on the day-to-day operations, the SAP implementation, and on the IT staff."

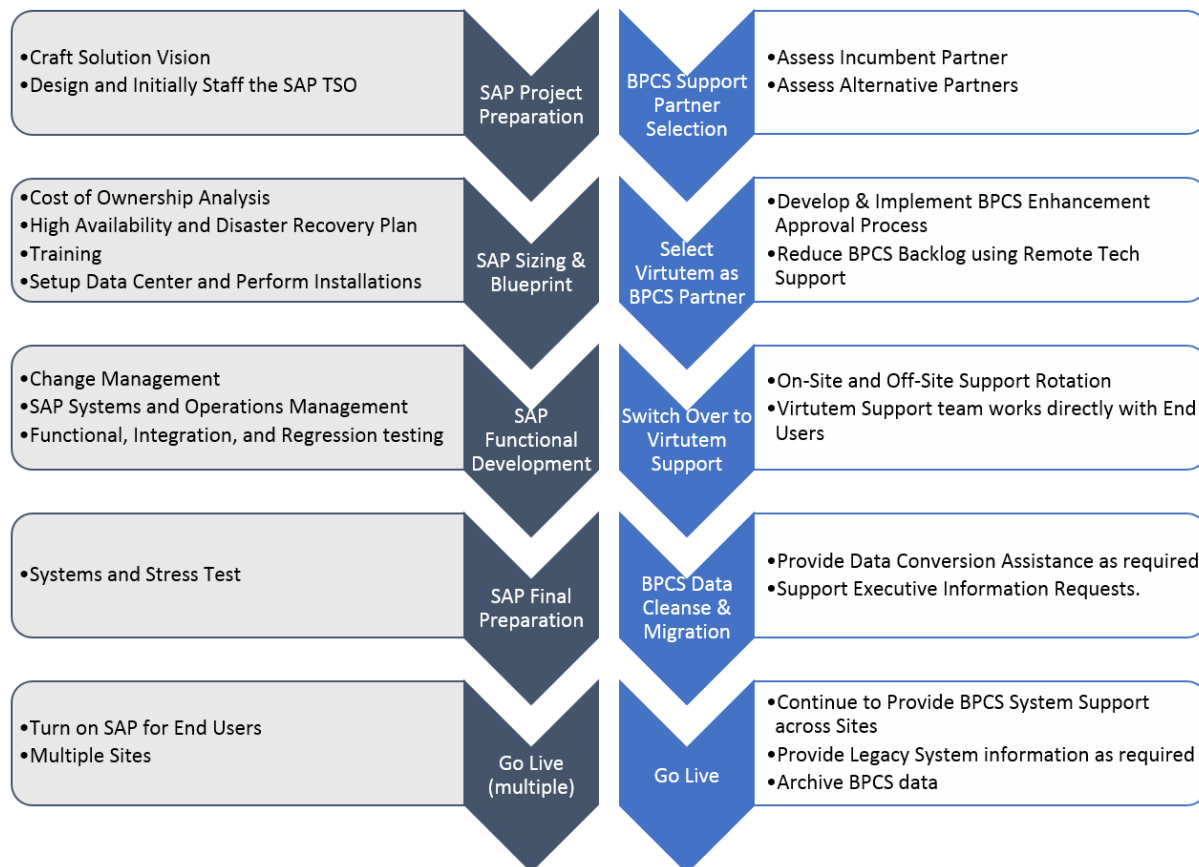
While the Phase I VIRTUTEM project manager implemented a process that weighed the pros and cons of individual modifications to BPCS, Phase II required technical leadership. A VIRTUTEM support consultant was brought in who could handle those challenges. ESAB-SC relied on VIRTUTEM to develop the following projects (for example):

1. Data extract programs were designed for BPCS data to a data warehouse application and for the transition to SAP.

2. Enhancements for custom BPCS customer rebate and pricing systems, and custom invoice reports, were made.
3. Programs were designed to extract data for EDI advanced ship notice transmission and ASN bar-coded labels.
4. An interface was provided so that all accounts are in one BPCS finance model.
5. Solutions were designed and implemented to automatically transmit “automation product” orders to the Canadian system, track shipment and invoice to a full cycle back to the US BPCS system.
6. The following were designed and implemented for all US facilities, Canada, Alcotec (a separate manufacturing division), and ESAB facilities in Mexico:
  - a. KPI reports to track sales, inventory movement, and “on-hand” levels at warehouses.
  - b. An interface to all accounts payable entities and related transactions to an EDW application called Sciquest.

Other modifications were made, including an automated employee attendance reporting tool, wireless hand-held cycle count devices, and a cutting edge tool to measure “on-time-in-full” metrics to fine-tune the supply chain in the US, Canada, and Mexico. Likewise, Colfax consolidates data reporting on a global level. VIRTUTEM support consultants designed a data extraction program in both BPCS and SAP. VIRTUTEM understands data systems on both platforms and provides the expertise to the ESAB-SC’s benefit.

The unique situation experienced by ESAB-SC is presented below. It is easy to see that two labor-intensive demanding projects were happening concurrently. VIRTUTEM was selected early in the SAP project process, freeing ESAB-SC IT staff for training in the new system.



SAP went live in March 2014, and VIRTUTEM remains at ESAB-SC as an integral part of the SAP team and legacy support as needed for BPCS. One important item to recognize is that even though SAP is up and running, BPCS just doesn't go away immediately. In particular, there are reports necessary that use prior data, including sales, inventory, orders, and other historical records that are in BPCS. VIRTUTEM continues to supply the BPCS technical expertise to support ESAB-SC. Additionally, VIRTUTEM is always looking ahead to the next roadblock and how ESAB-SC can prepare for it. The legacy data solution is just one example.

When asked why Leite kept VIRTUTEM engaged when he was promoted to the IT Director Americas, he responded, “VIRTUTEM provides exactly what we need. They address issues diligently. Whether we have questions of day-to-day support or complex projects, VIRTUTEM is flexible to handle both.” VIRTUTEM was trusted to get ESAB-SC from BPCS to SAP in the shortest and easiest time, and with the highest probability of success, according to Leite. Leite said, “Bottom line, I can trust that when given a problem, they will have the answer.” There were occasions when Leite would call Virtutem on a Wednesday, need a report the next day, and VIRTUTEM delivered.

**Leite says, “VIRTUTEM is easy to do business with.”**

It was important to ESAB-SC that its consultants be experienced project managers, with exceptional manufacturing backgrounds and with strong technical expertise. To find all three requirements within one consulting firm is a model that most companies desire.

## **Why VIRTUTEM?**

VIRTUTEM offers the expertise to help overcome the challenges associated with ERP implementations. VIRTUTEM consultants support a company’s project objectives. They are also able to ascertain possible constraints to the success of implementing a new ERP. Recognizing the obstacles saved ESAB-SC, and every VIRTUTEM client, time and money while providing a high value.

For most projects, VIRTUTEM offers a period of extended support, either onsite or on-call, to answer questions and to help complete a smooth implementation of the new ERP. VIRTUTEM makes ERP stability its focus. The customer and vendor encounter with the client will not be affected while your IT staff is training and implementing the new software solution.

Additionally, VIRTUTEM offers each client:

1. Technology acumen
2. Methodology
3. Consultant experience
4. Leadership
5. Ethics
6. Communication

## Who is VIRTUTEM?

VIRTUTEM is an agile consulting company, headquartered in Woodridge, IL, that specializes in three of Infor Global Solutions' (Infor) ERP Software; [INFOR LX](#), [BPCS](#), and [PRMS](#). We have a wealth of consulting experience with these software applications in many industry verticals, as well as in Discrete and Process industries. Our consulting services include operational, functional, and technical expertise.

The company's consulting team averages more than 20 years of experience working in these applications. They also offer in-depth knowledge and fluency of the ERP applications gained from being users themselves of the software, or from working directly for the application developers.

In addition to our ERP services, we have an established web applications development presence, developing and supporting web applications for a diverse set of companies. This expertise when combined with our ERP and general business knowledge gives us a unique insight into resolving the most complex technical and business issues using the latest development tools and frameworks.

VIRTUTEM is a team of experienced consultants and technologists that bring in-depth real-world experiences to today's business problems.

The company offers a full range of services and solutions.

## SERVICES

- Application consulting
- Technical consulting
- Systems operational support
- Management consulting

## SOLUTIONS

- Real-time performance management
- Access to enterprise applications
- Web solutions
- Record archiving
- Business analytics and optimization

For further information on how VIRTUTEM may be able to best serve your business needs, please contact us at

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