



# ESAB SOUTH AMERICA

## FROM A SMALL LOCAL COMPANY TO AN INTERNATIONAL FORCE

### QUICK FACTS

#### Industry

Industrial machinery and components

#### Revenue

US\$134 million

#### Employees

622

#### Location

Belo Horizonte, Brazil

#### Web Site

www.esab.com

#### SAP® Solutions and Services

SAP® ERP application, SAP Best Practices for Industrial Machinery & Components package

#### Implementation Partner

Prockwork (implementation), NewCom Business and IT Solutions (upgrade)

#### Key Challenges

- Expand operations to cover all of South America
- Increase number of product lines and product complexity
- Support make-to-order manufacturing
- Reduce time required to close books
- Increase accuracy of financial results
- Automate manual processes

#### Implementation Best Practices

- Used the SAP Best Practices for Industrial Machinery & Components package in finance and production
- Followed standard SAP instructions closely
- Employed ASAP methodology

#### Financial and Strategic Benefits

- Increased business locations, lines of business, and product and process complexity
- Improved accuracy and consistency of financial reports
- Mitigated effects on the business of rapid market fluctuations
- Enhanced customer service and satisfaction
- Increased employee interest and involvement
- Improved control of production and quality assurance processes

#### Why SAP Was Selected

- Availability of SAP® Best Practices packages as models for improved business processes
- Leadership in the business software market
- Availability of local service
- Superior technology
- Scalability to support growth
- Process orientation
- Integration of business functions

#### Low Total Cost of Ownership

- Completed implementation and upgrade on schedule and within budget
- Lowered IT costs as a percent of revenues
- Maximized utilization of SAP software
- Minimized customization and development
- Established a shared services model for IT support
- Saved legacy system maintenance and operations costs

#### Operational Benefits

Key Performance Indicator	Impact
Month-end closing time	-800%
Quality assurance processing time	-75%
Revenue growth 2002 to 2007	+400% to 500%
Number of products quality checked	+600%
Number of invoices per month	+250%
Prevalence of defects	Reduced

The South American operations of ESAB, a supplier of cutting and welding products, had to abruptly transform itself from a small local company into an international force. The firm implemented the SAP® ERP application, which provided the foundation it needed for growth. Now ESAB is delivering the fast, accurate financial reports its new owners demand and has achieved tight control over its production processes. These improvements have helped the company obtain mammoth growth in every respect.



“Our business has expanded enormously by every measure, while at the same time we greatly tightened up finance and production. This never would have been possible without our move to SAP software.”

Fernando Leite, CIO for South America, ESAB

ESAB, a Charter plc company, is a leader in cutting and welding products, with operations around the world. The company develops, manufactures, and supplies consumable products and equipment for use in the cutting and joining of steels, aluminum, and metal alloys.

Until recently, ESAB's South American operations consisted of a small company that did business only locally in its native Brazil. Then, London-based Charter acquired the firm and challenged it to greatly expand its lines of business and grow to span the entire continent. The firm knew that its mainframe-based legacy system was incapable of supporting this expansion and began searching for a better solution. After considering several options, ESAB chose SAP® software because of its scalability and its ability to integrate all aspects of operations with strong, process-oriented functionality.

### Five-Year Plan Delivers Growth and Tightened Financials

The move to SAP software was part of ESAB's five-year plan for growing and restructuring its South American operations. The plan called for revamping business processes to make them more efficient and scalable – a task greatly aided by the SAP Best Practices package. Rather than force-fit SAP software to its existing business methods

through customization, ESAB adapted its processes to SAP standards, especially in finance and production. This decision yielded immediate dividends, as the firm not only saved substantially on ongoing IT costs but also broadened and elevated its employees' roles. No longer confined to siloed tasks, employees felt they were part of smooth, integrated overall processes and began contributing feedback on streamlining improvements.

With help from SAP software, ESAB succeeded fully in its growth mission. The firm went from one Brazilian manufacturing site to three and opened or acquired new facilities in Chile, Panama, and Argentina, where it found the application's multilanguage and multicurrency functionality invaluable. The number and complexity of product lines grew substantially, and revenues rose nearly fivefold in half a decade.

In finance, the firm's new owners had little patience for the slow month-end reports and discrepancies the legacy system produced. Now ESAB is delivering accurate, consistent reports in six hours – a task that required two days in the past.

In the plants, processes such as product quality testing take only one quarter the time they used to. SAP software is also helping with a common problem in South America's economy – wild month-to-month fluctuations in demand. With its

forecasting functionality, the software is helping predict the impact of these fluctuations; and with its manufacturing resource planning functionality, it is helping to accommodate them.

IT costs have fallen as a percentage of revenues because ESAB continues to avoid customization and because it implemented a shared services model for support.

### Smooth Upgrade to SAP ERP Paves the Way for the Future

The more ESAB South America accomplished with the help of SAP software, the more it wanted to accomplish. Realizing that the version in place put limits on the new functionality it could deploy, the firm recently upgraded to the SAP ERP application. With help from partner NewCom Business and IT Solutions, ESAB completed the upgrade in two months, on time and within budget. Now that it has the most current version of SAP ERP, the firm can proceed with many plans, such as providing e-commerce capabilities for its dealers and customer relationship management capabilities for sales and marketing. The upgrade was essential for integrating shop-floor operations in the Argentina plants, the final step before ESAB can retire the legacy system and finish its move to SAP software.

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