

Process Excellence in Action: **American Meter**

**American Meter Has a Better Gauge
on its Processes With SAP and ARIS**

"Prior to this deployment, order tracking was a Herculean task and, with the added layer of process automation, ordering is so much easier."

Ed Brady
American Meter

Organization

American Meter

Industry

Measurement and control of natural gas

Challenge

American Meter needed to automate processes in response to changes in the market, lack of IT readiness and end life of its legacy systems.

The Solution

An in-depth process implementation backed by SAP R/3 and IDS Scheer's ARIS Platform.

Solutions Deployed

- ▶ SAP R/3
- ▶ ARIS Platform

Benefits

American Meter automated its processes, realized significant financial benefits, empowered employees to make better decisions and reconfigured order processing times using SAP Variable Configurator.

For more than 140 years, American Meter (www.americanmeter.com) has been a leader in the measurement and control of natural gas since the very beginning of the industry. Today, the Horsham, Pennsylvania-based company continues to fulfill that role as a member of ELSTER-AMCO Group. This global organization brings the latest technology and best practices from leading European and American manufacturers of gas measurement and control equipment to markets around the world. With approximately \$250 million in revenue, 13 divisions/plants and more than 300 customers, American Meter continues to invest in the development of innovative products and services for the natural gas industry. These investments assure that American Meter provides its customers with the very best value in gas measurement and control.

The Business Challenge

The word "change" was not an easy word to digest for a company steeped in 140 years of tradition. However, several issues made a strong case for change at American Meter. First, the market was changing and more responsive customer service was needed. This was compounded by the lack of information available for agents, as well as redundancies in the data, which impeded the decision-making process. Plus, with the emergence of eBusiness, American Meter knew an effort was needed to automate the buying process online for its customers and trading partners.

Second, American Meter's IT readiness was a factor in facilitating growth. Many of its legacy systems were approaching an end of life, eBusiness hooks were cost prohibitive and organizational adaptability was limited.

Based on these cases for change, American Meter concluded that a major investment in core business systems was warranted. As an initial step, American Meter developed an IT master plan covering the following:

- ▶ Trading partner collaboration – eMarketplaces, customer self service portal, vendor portal
- ▶ Employee services – B2E portal, self service
- ▶ Web presence – Navigation ease, technical literature
- ▶ Internal ERP Modernization – Enterprise design, product area rollouts
- ▶ Other initiatives – Telecom consolidation, integrated data network and consolidated e-mail

The ultimate goal of the IT master plan was the creation of an enabling infrastructure and modernization of its core business systems.

In terms of the ERP master plan, American Meter needed to replace its end-of-life legacy systems with a single, integrated system leveraging an implementation project to institutionalize and sustain fixed-cost structural efficiency improvements. American Meter needed to implement a replacement project to design once and deploy incrementally. This would maximize the ROI of a nonrecurring investment in standard process design and offer limited risk via small, incremental rollouts.

For the ERP master plan to succeed, American Meter realized that the selected ERP system must align with its business processes. The company knew that IT initiatives were only one component of an integrated business improvement strategy. The IT roadmap included external collaboration, internal ERP modernization and a comprehensive communications infrastructure. The IT strategy participation included:

- ▶ Re-engineered processes – Simplified, repeatable and streamlined
- ▶ Upgraded systems – Actionable information, information transparency and process automation
- ▶ High performance people – Evolution to better trained knowledge workers focused on business imperatives

To address customer service challenges, American Meter wanted to drive better quality decisions to lower levels of its organization to enhance the customer experience.

The Business Solution

After an extensive evaluation, American Meter selected SAP R/3 as its ERP solution and turned to the business process management experts at IDS Scheer to baseline its processes. American Meter assembled a team of 13 IT experts with three dedicated solely to the SAP implementation.

In addition, American Meter assigned process owners within the organization, including representatives from materials, engineering, production, purchasing, inside sales, accounting, HR and quality.

Before committing to an overall process implementation, American Meter worked with IDS Scheer to create a full-scale process prototype and process reconfiguration. IDS Scheer led this three-month effort, in which 85 percent of American Meter's processes were mocked up in an SAP environment. IDS Scheer and American Meter developed a "To-Be" Process Reengineering Method that included:

1. Define existing or "As-Is" processes.
2. Brainstorm process improvements.
3. Conceptualize alternative methods.
4. Review a "Proof of Concept".
5. Detail design review and "To-Be" process walkthrough.
6. Walk through "First Article" or real practical example.
7. Integrate/harmonize with related processes.
8. Baseline new processes into system requirements.

American Meter then conducted a preliminary design review and moved into the first wave of the implementation project in 2003. After that point, the American Meter team took over process ownership with IDS Scheer serving as an advisor. American Meter then received user buy-in and started a series of rollouts within various site locations. This occurred from November 2003 until March 2005 and included a total of 22 locations.

In addition to processes, American Meter also optimized the functionality of SAP's Variant Configurator, which uses engineering rules and uptime. The company integrated its quote to order process to better manage transactions.

Using this functionality, American Meter narrowed down 6500 SKUs to a smaller number of better categories to simplify the order entry process. Plus, the functionality has enabled the company to create a configurable bill of materials (BOM), which did not exist previously.

The Results

American Meter began its implementation project in 2003. Eighteen months later, the company has realized significant benefits within its overall operations. To date, the company has:

- ▶ Improved cycle times and agility with orders
- ▶ Reaped significant financial benefits and improved profit margins by carrying less inventory
- ▶ Helped employees to evolve from arms and legs types to analyst types. The project created a "birds of a feather" culture where employees demonstrate cohesiveness of the new process-oriented environment
- ▶ Empowered lower level employees to make decisions
- ▶ Grew business within one division by 25 percent without increasing headcount
- ▶ Gained powerful tools to channel higher quality data throughout the organization
- ▶ Enhanced working capital by consolidating into a shared service center
- ▶ Automated specific processes that enable plant controllers to better check variability analysis

On a separate note, the SAP Variable Configurator has improved order processing times. Under the previous system, American Meter customer service reps had to cull through all 6500 SKUs and manually check with the plants. Plus, any changes to an order would force customer service reps to cancel it and re-enter all of the information. This initiative has:

- ▶ Provided better alignment with the customer view (allows blanket Purchase Orders)
- ▶ Simplified correspondence and accounts payable
- ▶ Enabled history/change tracking, thereby increasing customer service and responsiveness
- ▶ Made it simpler, easier to understand and identify any irregularities (i.e., contract compliance, configuration issues, etc)
- ▶ Offered a measure of Key Performance Indicators (i.e., bid consumption, order entry error/corrective action)

In addition, the configurable bill of materials has also had an impact on operations by enabling:

- ▶ Intuitive sales order entry aligned with planning
- ▶ Reduction of data maintenance and probability of error
- ▶ More precise standard costing
- ▶ Automating rules embedded in "tribal knowledge"
- ▶ Reduction of PC production order entry and QC checking of 100 percent of incoming orders/configurations
- ▶ Improvement of inventory accuracy of packaging materials

American Meter has simultaneously improved process control/automation, reduced management risk and increased the quality of its IT services.

The Future

With the project completed successfully, American Meter's "Go Forward" strategy includes:

- ▶ Incremental investments to leverage IT platform capabilities
- ▶ Alignment with supply chain initiatives
- ▶ Agility to incorporate emerging information needs as the company transfers to new ownership

About IDS Scheer

IDS Scheer is the market leader in Business Process Management (BPM) software and services for corporations and public organizations worldwide. With its unrivaled ARIS Platform for Process Excellence, the company offers an integrated, comprehensive solution portfolio for the strategy, design, implementation and controlling of business processes. Utilizing the ARIS Value Engineering (AVE) approach, IDS Scheer consultants bridge the gap between corporate strategy, business processes, IT solutions and process controlling. Approximately 2,800 employees, in over 70 countries, serve the company's 6,000 customers. In 2006, IDS Scheer's revenues reached 354 million Euro / \$465 million USD. Established in 1984 by Prof. August-Wilhelm Scheer, IDS Scheer is listed in the TecDAX on the Frankfurt Stock Exchange (Germany).

For more information, please visit: <http://www.ids-scheer.com>.