



PIONEER SURGICAL TECHNOLOGY

SAP BUSINESS TRANSFORMATION STUDY

AT A GLANCE

Industry	Life sciences – medical devices and instruments
Revenue	>US\$50 million
Employees	220
Location	Marquette, Michigan
Web Site	www.pioneersurgical.com
SAP® Solution and Services	SAP® All-in-One solution
Implementation Partner	Answerthink Inc.

Pioneer Surgical Technology is the story of a healthy, high-growth company in the process of a business transformation. Pioneer Surgical creates medical devices, including specialized spinal and orthopedic implants and instruments, that improve the quality of life of patients while they delight surgeons. As the demand for Pioneer products has grown, so has the breadth and complexity of the company's product lines, as well as its revenue – more than tripling since 2004.

Key Challenges

- Very strong growth trajectory of 50% per year
- Increasing business complexity and product diversity
- Expansion into Europe not supported by existing systems
- Preparation for future acquisitions and expansion opportunities
- Lack of trust in data from 2 separate and disassociated finance and operations systems
- Overabundance of manual processes

Why SAP Was Selected

- Desire for permanent solution – the first and last enterprise resource planning (ERP) implementation
- Assurance that SAP will be a partner for the long term
- Lower implementation time and cost compared to Oracle
- Uniform platform to replace point solutions and to support Pioneer's current and future requirements

Implementation Best Practices

- Obtained strong executive support and sponsorship
- Shared project management with partner Answerthink
- Tightly controlled scope to address just the basics
- Leveraged best practices with SAP® All-in-One solution
- Used RWD Info Pak to automate development of training materials and documentation

Low Total Cost of Ownership

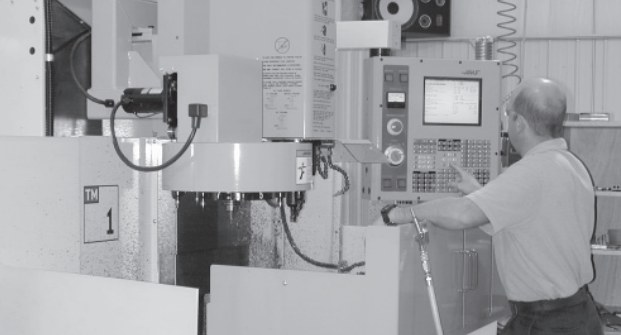
- ERP solution implementation in 5 months
- Implementation cost estimate for SAP All-in-One significantly lower than bid from Oracle
- Accelerated development of customized training materials and documentation with RWD Info Pak
- Time and cost savings with preconfiguration

Financial and Strategic Benefits

- Superior viability of system as a long-term platform for a high-growth business
- Improved trust in data and speed to information
- Streamlined processes and electronic process support
- Better visibility of data across the company
- More time to pursue value-added activities
- Enhanced production order and delivery processes
- Improved financials, including reduced number of ledgers and increased detail for improved costing

Operational Benefits

- Significantly rationalized master data by reducing ledger accounts, parts by 50%, and suppliers by 280
- Increased inventory accuracy and capacity planning
- Reduced stockouts with automated replenishment
- Reduced the number of missed distributor orders
- Reduced planned-order-to-purchase-order cycle by 90%
- Increased purchasing efficiency and vendor contact
- Improved costing with detailed cost breakdowns



“With SAP we have the flexibility and adaptability to integrate all of our business processes.”

Matthew Songer, M.D.
CEO
Pioneer Surgical Technology

“We wanted to choose a partner for the long term. We wanted this to be our first and last implementation, no matter how much we grow.”

Dean Stetson
Manager of Information Systems
Pioneer Surgical Technology

Pioneer Surgical Performs Successful Operations

When still a small company with \$15 million in revenue, Pioneer Surgical Technology knew where it was going and how fast it wanted to get there. The company was growing at over 50% per year, but its disparate systems for manufacturing, finance, and sales and operations could not support its vision for rapid growth.

Pioneer’s material requirements planning (MRP) system made it difficult to plan and forecast for capacity. It was sometimes a scramble to ensure supply met demand. Employees did not trust the MRP numbers and spent time second-guessing them, while managers of cross-functional business processes relied on paper. Moreover, existing systems could not quickly and easily integrate current and future acquisitions.

To grow, Pioneer required a scalable enterprise resource planning (ERP) solution. “We needed a system that could handle all these different complexities and ways of doing business,” says Dean Stetson, manager of Pioneer’s information systems. “We needed a platform for growth.”

Pioneer Puts ERP Under the Microscope

Backed by strong executive support in its search, the implementation team evaluated 15 different ERP solution vendors across 3,000 requirements. The potential vendor list was narrowed to two, Oracle and SAP. Stability, competitive pricing, a preconfigured industry solution, and an adaptable platform with an integrated quality management component all pointed to SAP. “When it came down to the finalists,” says Stetson, “one of the reasons we selected SAP was because the implementation estimate for the number of days was lower – quite a bit lower.”

During the implementation, Pioneer followed best practices using RWD Info Pak to document their business process procedures quickly. With Answerthink, they created a training “sandbox” to speed user familiarity. With the implementation scope strictly limited to basic ERP functionality, Pioneer was able to achieve a speedy 5-month implementation.

Pioneer Improves the Health of Business Benefits

Recently implemented, the SAP® All-in-One solution is already sustaining a growing list of financial, strategic, and operational benefits for Pioneer. The viability of the solution as a long-term foundation for growth is clear, as well as improved visibility and trust in data across the company. Having clean data, Pioneer can improve its sales and operations planning. Furthermore, improved financial processes have decreased the number of general ledgers while increasing the detail available for improved costing.

Operationally, Pioneer has significantly rationalized master data, resulting in a reduction in parts by 50% and in suppliers by 280. The planned-order-to-purchase-order cycle has been reduced 90%. In addition, inventory accuracy and planning has improved, and order automation has reduced stockouts.

With SAP as its partner, Pioneer feels confident about its future. Its European subsidiary is now live with SAP All-in-One. Pioneer is working on implementing the SAP NetWeaver® Business Intelligence component. Once this SAP solution is fully implemented, the company expects to use it to analyze business data to make better, more timely decisions. In the future, product life-cycle management and mobile functionality will enhance Pioneer business processes, in addition to shop-floor integration into the SAP software backbone. Concludes Stetson, “We don’t know what the business is going to demand of us next year or the year after, but we’re prepared. SAP is about being as prepared for what’s coming as you can get.”