

GLOBAL SHOP SOLUTIONS CASE STUDY

Hemco Industries

Founded in 1956, *Hemco Industries; a Division of BGRS Inc.* began with the idea of making a product that could get people to the tops of vehicles safer and easier. More than sixty years later, the company has grown into a leading manufacturer of safe access and fall protection solutions for businesses that produce and ship bulk chemicals. Hemco's custom products range from gangways, safety gates, and loading ramps to liquid loading systems, fall arrest systems, excess flow valves and a variety of accessory products designed to improve safety during the transfer of bulk chemicals.



Pictured is Hemco's loading rack, safety gates and SAS gangway.



Hemco's excess flow valve.

Headquartered in Houston, Hemco makes the bulk of its products for large petrochemical companies, while also serving the cement, pharmaceutical and food service industries. Its extensive customer list includes a "Who's Who" of Fortune 500 companies such as Exxon, Valero, Chevron, Coca-Cola and more.

Hemco's first ERP software was difficult to use and lacked full data integration capabilities. Since upgrading to Global Shop Solutions ERP software, Hemco has generated impressive productivity improvements and cost reductions throughout the business.

"Our old ERP software was clumsy and difficult to navigate," recalls Hemco Owner Rich Bevis. "Global Shop Solutions is much easier to use, and the system is very flexible. It lets us adapt the software to our business rather than forcing us to adapt to it."

Precise Inventory and Job Costing

Upon implementing Global Shop Solutions ERP software, Hemco immediately tackled its two biggest shop floor challenges – *inventory accounting* and *job costing*. With their previous ERP system, Hemco struggled to determine profitability by specific product and product line. With Global Shop Solutions ERP software's ability to create accurate BOMs and subassemblies and issue them directly to the job, managers can now capture true job costs in real time.

"As an engineer, I want to know whether building an assembly is taking too long or costing too much," says Bevis. "That way, our engineering team can redesign the assembly so it's easier to manufacture without sacrificing quality. We couldn't do that until Global Shop Solutions gave us accurate costing on our subassemblies and all the operations that go into them."

“Global Shop Solutions also makes it easy to **capture labor time**,” adds Stephen Nunes, Hemco’s Vice President of Finance. “Workers use the barcode scanners to log on and off jobs, and the system automatically tracks their time. This helps with the accurate job costing, and also allows us to forecast our labor utilization for the next day and staff accordingly.”

Significant Reduction in Production Time and Costs

Loading **production BOMs** into the system and capturing labor operations in the work order significantly reduced the production time for one of Hemco’s flagship products – with a corresponding decrease in cost. As a result, Hemco was able to increase margins on the product while keeping pricing at a competitive level.

“We didn’t make any design or production changes to the product,” notes Bevis. “We lowered the cost simply by using Global Shop Solutions to push data down to shop floor personnel and set benchmarks for improvement. When people know how they’re performing and have benchmarks to aim for, they become motivated to achieve the goal.”

Big Reduction in Inventory Adjustments

Under Hemco’s old ERP system, management experienced constant fluctuations in monthly financials, often going from large profits in one month to equally large deficits in the next.

“It all goes back to the lack of data integration between our accounting and ERP systems,” says Nunes. “Inventory that was being paid for in accounting often didn’t match what was being recorded in our ERP system. As a result, we would often show a big profit one month followed by a big loss the next.”

“In Global Shop Solutions, everything happens as it should, when it should,” adds Nunes. “As managers, it’s our job to manage the peaks and valleys in all aspects of the business. With Global Shop Solutions we were able to do so specifically in our inventory management because the data is both current and accurate.”

According to Production Manager Shelly Llavore, the Inventory application also assists with accurate inventory management by offering different options for tracking the data and having solid controls in place.

“We have our own strategic ways of how often we receive materials and perform inventory counts,” she says, “but Global Shop Solutions puts controls in place that allow things to happen as they should. As a result, we can now take most of the dollars we previously assigned to inventory adjustment and assign them directly to the job or product line. This helps us understand our product and product line costing much better than in the past.”

Closing the Books in Days, Not Weeks

The long list of productivity improvements generated by Global Shop Solutions ERP software are taking place in Hemco’s back offices as well as on the shop floor.

For example, thanks to the superb integration of data in the system’s general ledger, Nunes can now close the books at month’s end in days rather than weeks. This includes the ability to generate preliminary results within four days, allowing him to move on with managing the current month. He also uses the robust **Customer Relationship Management (CRM)** application to manage customer and vendor payables, receivables and other accounting issues.

“CRM allows me to create an extensive knowledge base for each customer or vendor by placing detailed notes about billing, receiving, collections and other issues in the system,” says Nunes. “I also use it to log more complex accounting issues that come up.”



One of Hemco’s large customer loading rack stations.

“For example, suppose our CPA calls about a tax issue that requires digging into some inventory value,” continues Nunes. “Or we have an internal costing process that we need to improve. I can log all my notes in CRM and build up a complete knowledge base about the issue. That way, all the data is in one central location for me or anyone else who needs to access it.”

Dashboards Inform Better Decision-Making

Nunes also makes extensive use of the **Business Intelligence** application, which offers a variety of customizable dashboards to provide high-level business information.

“The dashboards provide great summary overviews of key areas of the business,” he says. “We use them daily to chart our progress and make important decisions regarding labor utilization, resource deployment and other areas that impact production. The information on every dashboard is automatically updated every day, so we know we’re making decisions based on the most up-to-date data.”

“For example, we have two separate production buildings, and we make different products and assemblies in each one,” says Nunes. “The dashboards allow us to look at labor utilization throughout the plant as a whole, and then drill down to each building and even individual workcenters within each building. That way, we can quickly see if labor hours are being skewed to one building or another and make adjustments to improve utilization.”

Lower Costs Increase Competitive Position

In addition to accurate job costing, Hemco also uses system data to predict job costs, increase margins, and lower prices to win jobs they probably wouldn’t have won before. They can also examine in detail the labor operations in their manufactured products and push those results to the engineering team for design alterations that further reduce costs.



One of Hemco’s large gangways.

“Global Shop Solutions is a very thorough ERP system,” says Llavore. “It gives us many different options when building the BOMs and work orders, as well as the ability to see and control production standards before releasing the work orders to the shop floor. The system also makes it easy to gather and print specific reports so we can quickly review our labor, costs and margins for every job. Whatever we need to know, we can quickly access it in just a few keystrokes.”

According to Bevis, the biggest overall benefit of Global Shop Solutions ERP software has been the ability to continually drive cost out of the production process while maintaining margins.

“Prior to Global Shop Solutions, the best we could do from a design and engineering standpoint was get a rough total cost of a gantry or gangway,” he says. “Now we can look at the job costing reports and see that the extendable handrails are taking a much larger percentage of the entire cost of a product than we had originally thought. With that information, engineers can redesign or change the process so we can shave out a lot of cost.”

“The best part is we’re just beginning to scratch the surface of what we can do with Global Shop Solutions,” concludes Bevis. “We’ve been able to generate big improvements by moving to standard

costing on one of our product lines, but we have six more product lines to go, and we’re attacking them one by one. Once we get standard costing across the board, the cost savings and efficiency gains will be huge for us.”