

REAL WORLD CASE 3

TaylorMade Golf and HON Industries: The Business Value of Supply Chain Management

Although golf-equipment makers generally stage their competition in the public eye, with star-studded ads or with logos that are plastered on players as thickly as on racing cars, TaylorMade Golf Co. (www.taylormadegolf.com) took a less glamorous approach. It spent the past two years moving its key business information systems with its network of suppliers and distributors to the Web. The concept turned out to be as simple as a two-foot putt—and far more lucrative than a championship-winning stroke.

Of course, to implement its Web strategy, TaylorMade did spend \$10 million to develop a secure extranet website to efficiently handle the administrative details of dealing with the systems of its suppliers and distributors, and to more easily share forecasts and inventory information with them. Mark Leposky, the vice president of global operations, says that TaylorMade may save \$50 million in production costs in 2002—Tiger Woods-type money—based on just that \$10 million investment in moving online.

The new Web-based system has compressed TaylorMade's production schedule for a set of off-the-shelf golf clubs by more than half. And the company can now make a set of custom clubs in less than seven days, instead of taking six weeks. As a result, TaylorMade's custom-club business has doubled in the past year. "In a supply chain, how you execute creates competitive advantage," Leposky says. "We definitely see ours as a competitive weapon."

HON Industries. HON Industries Inc. (www.honindustries.com), headquartered in Muscatine, Iowa, is a major manufacturer of office furniture and gas- and wood-burning fireplaces, with annual revenue of \$2 billion and an IT department of approximately 100. The old legacy systems at HON Industries Inc. were unable to accurately measure the capacity of the manufacturer's warehouses. That lack of understanding led to errors like sending more products to a particular facility than it could store. To address the problem, a new system was designed to be more flexible and to take into account more variables, such as the size of the trucks and warehouse dock schedules.

CIO and Vice President Malcolm C. Fields says the optimization system has cut distribution costs, improved the timeliness of shipments, and reduced the amount of finished inventory that the manufacturer has to carry to "unbelievable lows."

The implementation team achieved its results despite considerable obstacles, including a shake-up in company structure and management and resistance from employees who were wedded to traditional processes. HON Industries began its advance-planning and scheduling system project in October 1999 and wrapped it up in March 2001 at a cost of about \$2 million. Though the project ran past its original deadline by six months, it also far exceeded the expectations of the project team, says Fields.

The project, which involved replacing legacy distribution mainframe programs, used supply chain management (SCM) software from SynQuest, Inc. The SynQuest-based application allows HON to take a product order, factor in shipping and scheduling variables, then decide which factory could build and ship the product for the least amount of money. What's unique about this sort of supply chain management initiative is the focus on logistics and transportation factors, says Steve Banker, an analyst at ARC Advisory Group. SCM deployments typically focus on different parts of the supply chain, such as sourcing or procurement, he says.

Without offering exact numbers, Fields says the new system has contributed to a drop in freight costs from 6.5 to 5.8 percent as part of the firm's overall sales revenue. Scheduling accuracy has improved by 20 percent, and there are now 19 inventory turns a year, up from 16, he says.

One major challenge to the project was the constant shifting of business processes at HON, which meant projects had "to be implemented in short, intensive phases," says Fields. For instance, during the middle of the rollout, the company was split into two separate divisions, and the president of the original operating company was replaced. The business executives who signed off on the project were gone, says Fields. "We had to go out and rewin some hearts and minds," he says. Although work never slowed, for about 30 days the project's fate was uncertain. In the end, project advocates successfully educated the new executive team, and the rollout was a success.

Fields says he learned from this project just how tough it is to persuade people to change their way of thinking. "Never underestimate the difficulty of shifting a paradigm," he says.

Case Study Questions

1. How could moving business information systems with suppliers and distributors to the Web result in such dramatic business benefits as experienced by TaylorMade Golf?
2. How does HON Industries' new SCM system improve the efficiency of their supply chain?
3. What other SCM initiatives would you recommend that TaylorMade Golf or HON Industries implement to improve their supply chain performance and business value? Explain the business value of your proposals.

Source: Adapted from Bob Diddlebock, "Share and Share Alike," *Context*, December 2001–January 2002, pp. 35–37; and Marc L. Songlini, "Supply System Grows Smarter," *Computerworld Premiere 100 Best in Class*, Supplement to *Computerworld*, March 11, 2002, pp. 10–11. Reprinted with permission from *Computerworld*.