



Where do I need to invest the most of IT?

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With hundreds and hundreds Supply Chain applications in the market, companies have an almost unlimited menu of options to choose from. However, with budgets each day more and more tied, how managers can maximize the potential return of investment from their IT infrastructure?



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It is clear for most managers that IT is the foundation for most of Supply Chain improvement programs. In fact, improvements in IT have significantly changed the scope of Supply Chain by breaking down organizational barriers and allowing information to flow freely between supply chain partners. The extended enterprise model identifies an integrated IT system as a key component of this framework. Thanks to their IT capabilities, top class firms operate seamlessly across boundaries, allowing information to flow in real time.

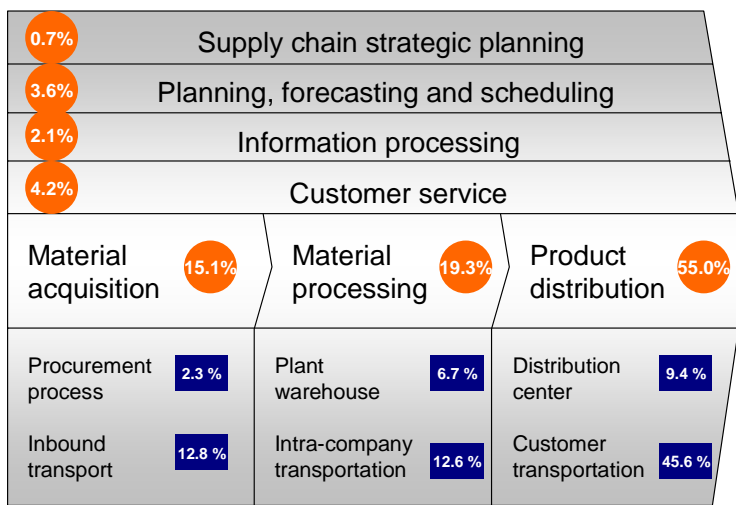
The components used to build these IT capabilities largely determine the nature and quality of interactions between the company and its customers, suppliers, and trading partners. The proper selection of IT supports and enhances the functioning of value-added processes within the Supply Chain. IT has automated many routine logistics activities, enabling managers to focus on strategic issues and core competencies. IT has allowed intermediate supply chain activities, such as distribution, to be reformulated to truly add value to the chain.

The selection of appropriate IT applications has become a difficult task given the wide array of rapidly changing and costly technologies. Decisions relative to adoption of specific IT applications need to consider alignment with the organization's competitive priorities. Therefore, the investment on IT should be made on those areas with the highest impact on the company performance and competitive position.

But how can we identify these areas of investment. Each company has its own internal decision process. However, there are some general issues shared by many IT selection processes. The following recommendations provide a five-element check list you better have in place before start your Supply Chain technology investment plan.

1) Make sure that you understand your Supply Chain weaknesses and areas for improvement.

The first thing IT investments should do is to address the problems in the Supply Chain. The resolution of Supply Chain problems such as order delays, high cost, over stock and inaccurate demand forecasting, provides the simplest way to justify an IT projects. For example, the understanding of the cost structure helps to identify the most expensive components of the Supply Chain (Fig 1). Any IT project that reduces their costs through process automation, data digitalization or improving planning practices will have a clear return on investment justification with an immediate positive impact on the Supply Chain performance.



Logistic cost structure model for a retailer. In this example, transport represent 58.4% of total cost whereas warehouse represents only 16.1%. The implementation of a transport planning&optimization software will be a better choice than a Warehouse Management system.

2) Don't start anything without a multi-year IT development plan

Rome was not built in one day. Neither your IT infrastructure. Investment on IT must be seen as a long term effort of building the information infrastructure for the entire Supply Chain. A minimum 3-year development plan is require providing direction and continuity to all IT projects. The lack of a multi-year development plan is the main cause of the typical problems found in large organizations, that is, individual "silos" of data with high level of redundant information, no-integrated independent applications, separate networks with no communication between them and multiple user interfaces.

3) Your first task: design your Supply Chain IT architecture

The process of building an IT infrastructure is similar to the process of building a house. In both cases the first step is the design and planning of what is going to be built. In

In conclusion:

Supply Chain IT investment should be considered from the “big picture” point of view where your customer is at the center. Consider IT projects always as the way to create long-term capabilities and not just as a way to fix punctual internal problems.

construction, before the first brick is placed, the client and an architect conceive and design on paper the house. In IT, the equivalents of “bricks” are the computers, router, servers, networks, software applications, etc. L’architecture IT est le modèle utilisé pour glue toutes ces « bricks » de manier que favorise l’intégration des données, processus, services et sécurité. Elle unifiée d’une manier intégral les projets IT futures de l’entreprise au sein d’une infrastructure qui fournira les mêmes niveau de services a tout les employés.

4) Put your money where your client value the most

The ultimate goal of any Supply Chain IT project is to create competitive advantages. They should make companies to choose your products and service instead of those of your competitors. Therefore, satisfy your costumer’s requirements and fulfill their expectations should be the center of any Supply Chain strategy. Objectives such as improve order management process, delivery time or customer service are the key drivers for technology projects. A Warehouse Management System (WMS), for example, can be installed to improve the level of stock. This provides only an internal view of the project. A WMS provides also the tools to improve la reception et preparation du commands, the trazability of products and the planification de demand. These elements have a direct positive impact on delivery time and after-sale service, key factors for achieving customer satisfaction and at the end for creating competitive advantages.

5) Don’t forget: balance short-term and long-term results

It is common that companies look for short term results in any project. The problem with this approach is that decisions based on short-term cost reductions or sales boost generally leads to long-term poor performance. Long term growth and short-term profitability must be combined during the decision process. For example, a workflow application provides the foundation for automating many processes. Justify the application based on the automation of only one or two processes could not be very financially attractive. However, if a long-term perspective is applied, other processes can be included in the justification, although they are not executed the first year. This approach would change the return on investment of the project and also the decision criteria since more capability elements are considered.



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