

# Up and Running:

Helping supply chain technology  
do its job



UPS Supply Chain Solutions<sup>SM</sup>

## **Our Insight.**

A UPS Supply Chain Solutions  
White Paper

# The Supply Chain Landscape

Increasingly, keeping a competitive edge depends less on the product and more on getting it to customers efficiently and flexibly. Pressures continue to mount for companies trying to stay ahead: fierce competition, the U.S. economic downturn and swelling customer expectations paint a complicated picture when logistics decisions can lead to either a positive or negative impact.

Past experience with failed implementations and poor ROI can make companies reluctant to invest. However, a good supply chain solution can help a company achieve that crucial competitive advantage.

As the supply chain landscape becomes more complex, so does the technology that enables it. The marketplace is flooded with products, and new technologies are emerging in niche areas like supply chain collaboration and event management. Companies need to decide not only whether to implement or upgrade but which product among a dizzying array will best suit their needs.

Technology offers the promise of greater efficiency, and managers look to effective supply chain solutions to lower costs while improving service amid vigorous competition. Yet past experience with failed implementations and poor ROI can make them reluctant to invest. Research supports this perspective: According to Forrester Research, over 57 percent of companies cannot justify their investment, estimated at \$75 million for a Global 3500 company over a three-year period.<sup>1</sup>

## Gaining the Edge

However, a good supply chain solution can help achieve that crucial competitive advantage. When it's working well, the solution enables the company – and the company's network of suppliers and customers – to gain some key strategic efficiencies.

Thorough planning and an overall understanding of people and processes can help a company avoid many roadblocks to a successful implementation. Most common pitfalls to implementation fall under three broad categories:

### *Fit*

- **Buying for the Wrong Reasons** – Either to maintain IT's flow of budget dollars or to keep up with competitors' technology
- **Group Misunderstanding** – One group selects a tool for another group to use and neither group understands the other very well
- **Lack of Training** – Failure to plan adequately for training on a new supply chain process or tool
- **Culture Mismatch** – New technology and processes can conflict with the existing corporate culture, leading to poor user acceptance

### *Focus*

- **Lack of Support** – Executive sponsorship may change and hard-earned management support wane; strategic initiatives can be neglected in the face of day-to-day problems
- **Overlooking the Process** – Implementing a tool to facilitate an inherently slow or error-prone process without adequate understanding of the process
- **Too Much Too Soon** – Change is disruptive and can be destructive when multiple projects are implemented simultaneously or when users are left out of the loop

<sup>1</sup>Van Berber, Bob. "The value of CRM." Energy Markets, September 2001, p. 66.

## **Functionality**

- **Bulk Buying** – Vendors offer discounts when all modules are purchased or claim that full benefits can be achieved only with a complete package
- **Collaboration** – Organizational, process and trust issues are the biggest barriers to supply chain collaboration and, because they can be difficult to overcome, are often ignored
- **Problem Integration with Other Tools** – Solutions that can't access other vital tools like the ERP system can create as many problems as they solve
- **Faulty Software** – Implementation debacles involving deficient software and inadequate support

## **Maximizing Value**

Whether your company is contemplating new technology or trying to leverage existing tools, you can navigate a healthy supply chain solution by keeping the following guidelines in mind:

### **Be Clear About Goals**

Know what you are trying to achieve and set numeric goals that are easily measurable. Don't lose sight of your project's end goals; during implementation, the focus can shift to going live and away from the value proposition. Be clear about tangible benefits before you start and make sure the management team, project team and end users know the ultimate goals of the project. Make sure project goals enhance your overall business goals.

### **Think Process First**

Before spending on technology, take a good look at how your processes run today. Ask the people involved in the process about their biggest problems. Assess, benchmark and compare your performance numerically with your competitors. You may be surprised by what all of this data tells you. At the very least, you'll avoid installing tools that simply accelerate bad processes or don't fit with your company's process situation.

### **Focus on Resources**

Having the right resources with the right skills is critical to completing a high-quality implementation on time and on budget. Be sure to assign dedicated resources to the implementation, and look outside the organization for additional help. External facilitators may be better able to navigate within your organization; they also bring experience, approaches and tools that are key to realizing the full value of the solution.

### **Don't Let IT Operate in a Vacuum**

If the IT department has final responsibility for selecting technology, make sure operational users are involved from beginning to end. Pairing these users – who know the process as well as which tools will help – with IT's tech experts goes a long way toward ensuring a good fit.

### **Prepare for Change**

New or revamped technology necessitates change, and managing the transition well has a powerful impact on user buy-in. Begin as soon as possible to acclimate process users to the new system by keeping them informed of the decisions and providing adequate training.

### **Use More Than One Vendor**

It's unrealistic to expect the products of a single vendor to meet all of your needs. Focused solutions from smaller players may offer a better fit for certain functions and can be implemented quicker and cheaper. Make sure to do your homework and have your finance group evaluate the vendors you are considering.

### **Do It in Steps**

Success with smaller initiatives breeds success. Adopt a long-term technology plan that can be deployed in modules rather than undertaking a huge end-to-end system and process overhaul. If upgrading the supply chain includes implementing a new warehouse management system, supply chain planner and CRM application, treat these as separate projects. Implement and integrate them one at a time. And since technology innovation advances faster than most implementations, revisit the plan and revise if necessary.

### **Remember Your Supply Chain Partners**

Considering supply chain solutions requires careful attention to more than just technology issues. Companies must go beyond their own organizations and include their vendors, their customers and even their customers' customers. The ongoing trend to dismantle years of vertical integration in almost every industry means that supply chain executives today are faced with increasingly complex supply networks. Develop and execute a detailed, documented plan for integrating suppliers and customers across your entire supply channel by asking some key questions:

- What partner data is needed to make the process work?
- How and when will this data be transmitted?
- How and when will partners be introduced to the process and tools?
- Will partners participate in developing the new process?
- Do new process or data reporting requests violate existing contracts?

### **Improving Existing Technology**

What if you've decided to fix it instead of replace it? In the current economy, this may be the only option available for financially constrained supply chain executives.

### **Find Out Why It Didn't Work**

It's easy – but not always accurate – to blame software functionality. Check for fit, focus and functionality, and don't stop once you identify a problem. Often several causes combine to throw a software implementation off track. Be sure to solicit input from everyone involved, from IT to process users.

## Case in Point: Juniper Networks

Juniper Networks, a leading high-tech manufacturer of routers, began implementing the Supply, Demand and Collaborate modules of Manugistics™ in January 2001.<sup>2</sup>

The company sought to improve demand forecasting accuracy through the consolidation of multiple internal forecast processes and by enabling collaboration with its supply chain partners. Four months later, the implementation was complete – on time and on budget.

The resulting supply chain improvements included a robust Available-to-Promise capability validated with substantial improvements in predictability, greatly reduced lead times and systematic forecasting. Moreover, the solution enhanced the information flow across the supply chain, including contract manufacturers, component suppliers and customers.

What did Juniper do right? Early on, the company recognized it needed help and brought in an external team of experienced implementers and project managers. The implementation team set realistic goals and identified meaningful measures to gauge success. Users were involved in the software selection process and ultimately chose to drop the Collaborate module because of poor fit. Existing processes were evaluated, resulting in both software configurations and process realignment as part of the solution. Juniper also recognized that change management was critical to the organization's acceptance of the initiative. Communications clearly outlined the scope of the project, goals and organizational changes. Users were trained on Manugistics well before the formal rollout, allowing them to be fully functional at day one.

### Reset Project Goals

Once you understand why the original initiative fell short of expectations, take some time to reassess. Are the initial project goals still relevant? A tool may have originally been purchased to help your company manage high growth in customer demand, while today's priority may be cost reduction. Reset project goals as necessary and decide if the situation calls for fixing the existing installation or implementing anew. Develop your plan accordingly.

### One Last Chance

A focused effort to reevaluate and re-implement existing tools is the fastest and least costly option. If you determine that your problems stem from software inadequacies, you may be able to negotiate with the vendor to fix what's wrong.

<sup>2</sup>Manugistics™ Supply Chain Management Solution. Manugistics Group, Inc., Rockville, MD.

## Our Point of View

Supply chain technology needs to dovetail not only with existing systems but also with the people and processes that use it.

And while implementations and upgrades involve complex issues, the benefits are compelling. Supply chain technology is a means to gain a competitive advantage by reducing costs and improving service at a time when others in the industry might wait and see.

The decision to invest in this technology depends on your specific organization, the industry and a host of other factors. While no one can promise you a trouble-free implementation, you can mitigate potential pitfalls by honest appraisal and thorough planning. Understand and prioritize your needs and be sure to fully evaluate the costs and benefits of proposed solutions. When choosing a solution, accuracy and reliability are almost always more important than speed. And make sure you have adequate resources – the right number of people with the right skills – and that you prepare them for change.

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