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# Exposing the Hidden Costs of Supply Chain Execution and Warehouse Management Software

## **The Changing Business Landscape**

In today's ever-changing business environment, managing operations is like shooting the rapids of a raging river. Just as you've coped with one challenge, another crops up where you least expect it. You think you see a path to take clearly ahead, but in an instant the riverbed drops, rocks emerge, and it's all you can do to keep your head above water. This is the nature of today's unpredictable business landscape, and everyone's in the same perilous boat. Especially for those responsible for warehouse and logistics execution, survival depends on the ability to respond quickly and efficiently to what lies ahead—and out of immediate sight.

Industry analysts have been observing this turbulence for some time now. They are virtually unanimous in their assessment of the one constant factor in today's business environment: change—accelerating change. Coping with change is posing difficult challenges throughout enterprise operations.

## **The Sources of Change**

Typically the Internet is seen as the principal driver of business change today, and there is no denying that the advent of the Internet and emergence of e-business as a dominant business model have dramatically altered the nature of business relationships. But the changes businesses face go deeper and further than the means by which a company communicates with its customers and suppliers; they permeate virtually all processes within the supply chain.

### **Collaboration is critical to success.**

Ubiquitous connectivity has ended the idea of the monolithic enterprise or "functional silo." Silos are nothing if not dysfunctional in today's competition. This means that market competition is no longer between enterprises, but rather between supply chains; and as such, supply chain execution is at the heart of an enterprise's commercial vitality. It also means that collaborative capabilities are increasingly critical, as companies have to give customers and partners access to their information and services in order to compete with the speed and responsiveness today's markets demand. Leading industry analyst GartnerGroup has labeled the new business paradigm "collaborative commerce." Those who have difficulty in adopting collaborative processes will struggle to meet the demands of new and emerging business models.

Even when companies grasp these sweeping changes in dynamics, change poses a difficult challenge as they plan for the future. Why? Sometimes change is predictable, but very rarely so.

## **The Difficulty of Planning for Change**

Just think back two years about all the changes that have occurred in your business—both planned and unexpected. You couldn't have imagined the business challenges confronting you today: escalating customer demands, increasingly complex distribution models, and time-to-fulfillment pressures. Not surprisingly, trying to implement warehouse management systems (WMS) or supply chain execution (SCE) solutions in the face of such uncertainty has proved a costly and ongoing puzzle for many.

## Consider the business challenges that have emerged in the last few years:

- **Cost management**

While cutting costs can't be considered a new business challenge, the level of demand for cost reduction—and sources of that demand—have multiplied as supply chains have become more integrated and better understood as a source of competitive advantage. The emergence of e-business options such as online exchanges and e-procurement systems has given more leverage to buyers to make demands of their suppliers, not only for better rates but also for faster delivery.

- **Inventory management**

With new business models emerging around Internet-based collaboration, traditional models of inventory management are rapidly being transformed as customers look to minimize or eliminate inventory. Customers today may demand that you manage your inventory for them in their warehouses. This is not only a logistical challenge, but also an intellectual one: Warehouse managers now need to think beyond their four walls. With inventory being kept at the customer site—within customer-defined acceptable levels—new tools are needed for accounting, for replenishing and decrementing stocks, and for determining order cycles on a regular basis.

- **Order management**

Order cycle times are being condensed as order frequency has increased dramatically. Orders themselves are coming in smaller sizes, so goods once shipped in full pallets must now be handled in smaller parcel shipments.

- **Customer service management**

All of this is occurring in an environment in which superior customer service is an expectation. Errors are unacceptable to the customer—and cannot be tolerated in an organization that wants to compete effectively. Accuracy is an increasingly critical determinate of profitability, both in terms of cost savings and revenue generation. In addition, customers expect their suppliers not only to deliver goods, but to provide value-added services as well.

## The Resulting Challenge

While such demands paint a far different picture than the one observed a few years ago, we know today to expect new challenges that will constantly alter that picture with ever-increasing speed. **The ultimate question is how to meet these challenges in the midst of ongoing change.** Adapting to meet the requirements of change is not necessarily painful because of the new business models involved, but rather because old or conventional systems may not effectively meet the needs of these new models.

## Defining and Finding a Solution

The imperatives of today's competition make the nature of an effective SCE or WMS solution quite clear:

**It must fit the needs of your business today while providing the ability to rapidly and cost-effectively respond to change in the future.**

To fit your business today, the solution must address your core business issues and integrate easily with existing systems.

To rapidly and cost-effectively respond to change, the solution must be inherently flexible—allowing you to meet increasing customer demands, build competitive advantage over time and leverage—rather than try to keep up with—technological advance.

## **The Conventional Approach**

Conventional SCE and WMS systems may struggle to help you meet these critical requirements. This is because some SCE and WMS vendors force you to adapt your business to their software, rather than adapt the software to the unique needs of your business.

### **Custom code is expensive, time-consuming and risky!**

Because out-of-the-box solutions cannot provide a 100 percent fit with the individual needs of every business, the conventional approach has focused on offering a predetermined set of configuration options to address a range of typical needs. However, this approach brings with it wasted investment in the form of unnecessary features and functionality gaps where needs are not met. These functionality gaps are bridged with custom code—a labor-intensive, time-consuming and potentially exorbitant proposition. The situation is further complicated as any initial code-based modifications tend to make subsequent changes even more expensive, risky and time-consuming, and because these solutions are not prepared for change in the first place.

More often than not a perilous spiral occurs. Companies establish finite requirements, and solution providers encase their solutions around those requirements. Six months later—which may be before these initial changes have even been completed—business needs have changed again, and the system must follow suit. This means more custom code has to be written, tested and implemented in what becomes a perpetual exercise.

In addition, change in one part of the system may have unintended effects on other parts of the system, a likelihood that increases with the volume of custom code and the nature of its implementation. In this scenario, system upgrades become hugely problematic because all code changes must now be re-applied to the new version. This threatens the very stability of the systems they are intended to improve.

So what started as an effort to build a solution oftentimes becomes an effort to control a burgeoning nightmare—one with very real risks.

## **An Alternative Approach: Proven Adaptability**

HighJump Software, a 3M company has taken a different view of the process—one that focuses on the need to adapt quickly and easily to a changing business environment. This approach has led HighJump to build WMS and SCE solutions that meet the unique needs of your business today while providing the flexibility to change without extraneous costs or disruption to ongoing operations.

This new approach addresses business needs effectively by providing "adaptability tools" that eliminate the need for custom coding. This tools-based system provides building blocks based on business process components that can be easily reconfigured to respond to changing business requirements in a fraction of the time of conventional systems—and at a fraction of the cost.

### **The results of this approach are remarkable, including:**

- **Dramatic cost savings**

With efficient system implementation and maintenance, HighJump Software upgrades can be less expensive than upgrades of legacy systems—and can be completed in as little as four hours.

- **More rapid development time**

New functionality can be developed faster than with conventional systems.

- **Better use of new technology**

New technology is easily leveraged without business disruption, avoiding the obsolescence that is built into many conventional systems. Software providers are continuously working to improve their technology so it can be quickly and inexpensively applied to your advantage.

- **Mitigation of risk**

By eliminating the need for custom code-based modifications, HighJump Software minimizes the risk associated with change.

## **The Challenge Ahead**

Change is real. It is a fact of business life. With today's increasingly intense and globally extended economic competition, change is creating pain in operations. This is happening so rapidly that companies face unplanned expenses to cover the excessive cost of labor and development time to upgrade their existing code-based systems.

The challenge for those looking to implement efficient SCE and WMS solutions is to find a solution that is flexible enough to meet today's core business needs, yet can adapt quickly and cost-effectively as those needs change over time. If a solution cannot do that, it will change from a solution to a problem.

In these times, customers must be more demanding of their solution providers. They must challenge them to prove they can accommodate change—and if they can provide such proof—demand to know what the costs of accommodation will be over time.

Solution providers must be willing to meet this challenge. The uncertainty ahead demands nothing less.

## **About HighJump Software, a 3M Company**

*HighJump Software, a 3M company is a global leader in providing highly adaptable, best-of-breed supply chain execution solutions that streamline manufacturing and distribution from the point of source through consumption. HighJump Software's integrated solutions empower operational excellence in the warehouse and optimize the flow of inventory throughout the supply chain by facilitating collaboration with customers, suppliers and trading partners. These solutions combine robust, standard functionality; a best practices-based implementation methodology; and a uniquely adaptable architecture that facilitates fast, cost-effective system modifications. As an independent subsidiary in the 3M family of companies, HighJump Software leads the supply chain execution software industry in financial strength and delivers on an unmatched commitment to innovation and quality.*

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