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Companies Need to Re-Architected Supply Chain Application Portfolios, Forrester Research Says

Globalization and Aging Internal Systems Among the Factors Driving New Supply Chain Solutions; Keys to Getting New Projects Approved

SCDigest Editorial Staff

No one denies the business and supply chain worlds are changing rapidly, with an incredible array of new forces and pressures on supply chain and logistics professionals. (See **The New Supply Chain Perfect Storm**.)

Commonsense says that with these rapid changes in the environment and market conditions, a company's existing supply chain and logistics software applications – which were likely deployed in far different times, and perhaps for business drives that have changed dramatically – may need to be re-tooled.

That's certainly the position of **Patrick Connaughton**, an analyst at Forrester Research. In a recent research report, Connaughton says that "Saddled with inflexible and heavily customized legacy systems, countless supply chain operations are urgently in need of a large-scale IT modernization and transformation effort. Some have flat out reached a point where they can no longer compete or expand globally without a complete rip and replace of their systems."

Of course, companies facing this reality may be tempted to think they can "outsource" their way out of the dilemma, but that is an unlikely route to solving the problem, Connaughton argues. The systems of "logistics service providers are often just as archaic," he believes.

Despite this scenario, relatively few companies have major supply chain software upgrades planned. According to a recent Forrester survey, about 11% of companies were planning any major supply chain technology upgrade in 2008.

"That leaves the remaining majority doubling down

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Patrick Connaughton
Forrester Research

on legacy investments, essentially bringing new innovation to a standstill," Connaughton adds. Part of the challenge is that in recent years, concern about rising IT costs, combined with a slowing economy, means companies are putting any new software initiative under "detailed scrutiny," Connaughton says.

Supply Chain Projects that are Moving Ahead

Connaughton says he lately has seen more projects moving forward when the focus is on market differentiation and revenue generation, rather than traditional supply chain cost cutting.

He says he sees the following as key to getting supply chain technology projects approved:

Deliver a short-term ROI: Look for initiatives can deliver a short-term ROI that can essentially fund later stages of the project. One example is

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Transportation Management Systems (TMS), where companies can first tackle the low-hanging optimization scenarios, achieve large cost savings, and then use that momentum to fund continuous improvements.
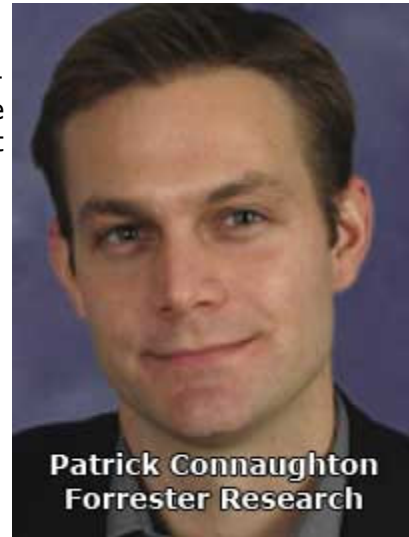
Keep the big picture in mind: While appearing to solve an immediate problem, "point solutions" can sometimes lead to disappointing results. Look beyond the immediate problem to see how the pieces will really fit together to deliver a riche total solution, even if that's in phases, Connaughton says.

Build the foundation for future innovation: Don't start with newer, more risky investments or technology – they tend to be more expensive besides. Look for technology that is proven (and generally less expensive) but which provides a good path to more innovative processes as the newer technology matures. One example: mobile applications in logistics, which can offer a sound ROI today, but set the stage later on for more advanced applications that are coming to market now.

By selecting the right SCM technologies to invest in, supply chain and applications professionals can take incremental steps without taking unnecessary risk," Connaughton believes.

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Forrester Research

Currently, Forrester sees supply chain intelligence, mobile asset tracking, fleet management, and global trade management at the top the list in terms of applications areas that deliver quick ROI and lay the groundwork for ongoing innovation.