

Getting Logistics Asset Lifecycle Management Right

Buying and Owning are Two Different Things, OC Tanner's Wayne Carlston Says

SCDigest Editorial Staff

Most companies have opportunities to improve the full lifecycle management of their logistics assets, such as hardware and software systems

That was the message in part from **Wayne Carlston**, Director of Supply Chain Systems Development for OC Tanner, one of the leading providers of employee recognition programs, who says too often logistics managers don't put enough thought into how to best maximize long-term performance of those assets after they have been purchased and initially deployed.

"Buying and owning are two very different things," Carlston said in a presentation this week at the Material Handling and Logistics Conference in Park City, UT, an annual event sponsored by HK Systems.

Carlston offered recommendations along both the "buying" and "owning" dimensions.

For example, he noted that OC Tanner recently considered purchase of a new Warehouse Management System. As with all such projects, the company used a multi-step approach to getting the new initiative right, called STEPS, that it has developed internally on lean supply chain thinking. Carlston said the approach can be used when evaluating supply chain software or materials handling systems.

The five phases of OC Tanner's STEPS approach are:

- See
- Think
- Experience
- Prove
- Sustain

OC Tanner first educated a team of 12 managers and associates on general WMS capabilities, and challenged that team to identify how those tools could bring real benefits to OC Tanner's distribution operations before they started discussions with specific vendors.

Using the STEPS approach, OC Tanner took several actions in the WMS project that are not common among companies looking for such technology. For example, during the "See" and "Think" phases, the company first educated a team of 12 managers and associates on general WMS capabilities, and challenged that team to identify how those tools could bring real benefits to OC Tanner's distribution operations before they started discussions with specific vendors.

"Companies usually just start by defining functional requirements," Carlston said.

As part of the "Prove" phase, OC Tanner actually had its internal IT team develop two of the capabilities often found in WMS solutions: batch picking and slotting optimization. While the internally developed systems weren't meant to reach the level of capabilities in a full-blown, tier 1 WMS, they were enough to demonstrate to users and managers how these types of capabilities could bring real benefits to the operation, Carlston said.

"At the end, we understood the WMS lexicon, and knew how a WMS could bring value in our opera-

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tions," Carlston said. "We were prepared to be a better system buyer."

Understanding the Real TCO

Carlston also says that too often, companies aren't rigorous about the full lifecycle costs of logistics software and material handling systems.

"You have to understand the full lifecycle costs will be required to keep the system operating at peak efficiency" he said.

He added that many times, companies leave out important elements of the total cost of ownership (TCO) of systems they are considering. As just one example, companies often underestimate the full costs in people and effort to maintain automation systems, resulting in a misleading view of total system ROI.

But the oversight isn't always on the cost side. Carlston said that companies sometimes also fail to fully account for items on the positive side of the cost justification ledger.

"Will the new system support company growth objectives? Maybe you should grab some of that profit margin" as part of the ROI calculation, Carlston said.

Lifecycle Planning for New Systems is Essential

Carlston also offered a number of ideas, based on some hard lessons earlier in his career, for ensuring that logistics assets operate a peak performance over time.

Maintenance is at the top of the list, he said, noting that at an individual level, most people get their oil changed or their furnace tuned up when needed, but then turn around and operate in "maintenance denial" mode when it comes to logistics systems.



OC Tanner has adopted the philosophy of the Total Production Maintenance System (TPMS) approach, which elevates maintenance from a cost-oriented activity that generally results in somewhat second class citizenship within an operation to one in which it is recognized as "a vitally important part of the business," Carlston said.

That includes being much more proactive about maintenance requirements, with more clear channels of communication and accountability, he said. It can also lead to some creative approaches. Awhile back, OC Tanner developed a "bucket list" program in which parts that have failed are put into a bucket, and the next day the maintenance team evaluates it to analyze why the part failed and perform root cause analysis.

Carlston also believes that for both hardware and software, it is critical to plan for and budget upgrades that likely will be required as part of the original system ROI.

"Otherwise, you have to cost justify the upgrade all over again," he said.

Even though there is usually a cost, Carlston also thinks it is generally wise practice to conduct software or hardware system audits with the vendors to look for opportunities for system improvement and identification of areas where problems may be building.