

This article was featured in the May edition of MHD Supply Chain magazine, Australia's leading Supply Chain publication. Christer Liden, CEO of comActivity Australia, is a globally-recognised expert in the area of business process improvement for the Supply Chain. He is CEO of ComActivity Australia. If you'd like to find out more about this topic, don't hesitate to contact Christer - email christer.liden@comactivity.net or phone (02)9479 7949.



Embrace IT Innovation to Gain the Competitive Edge

It has been said many times: to stay competitive, companies need to change and they need to embrace change. “Resisting change is like holding your breath - you may succeed for a while, but eventually you will die“

Companies in the supply chain need to look for new and better ways of performing to retain the competitive edge. It is a never-ending battle of needing to reduce lead-times and inventory, while improving customer service, inventory accuracy, process efficiency, control, security and governance. A key factor in the success of this challenge is the IT infra structure. You must ask yourself - Is your IT infrastructure really giving you the support that your business needs? Is it giving you the ability to be innovative and creative, the ability adopt and adapt, is it giving you the ability to become agile?

In today's challenging business environment – every IT dollar needs to deliver significant results for business. The opportunities are many – with dramatic strides in business technology software and hardware, IT should be contributing massively to productivity gains. However, as the economic slowdown continues, the IT budget is a prime target for cost cutting. When managers are looking at their IT spend they need to ensure that every dollar spent brings back a positive return. IT is not producing the same gains in productivity that it did just a few years ago, or as much as it should. This is primarily because business IT infrastructure has become overly complex and increasingly difficult to manage and maintain so when IT managers are looking at their IT spend this is a key area that need to be addressed.

How is your IT dollar being spent?

Most of the IT dollar is being spent on maintenance, when it should be being spent on innovation to streamline and improve the way businesses operate. The only solution is for businesses to manage out the complexity and embrace change.

Since the early 1990s business productivity benefitted dramatically from spending in IT. However in recent years the gains in productivity have been steadily declining, even though IT spending has increased. One of the major reasons for this is that, while powerful, the underlying ERP systems that a company uses as the IT engine of its business is complex – with lengthy, expensive and sometimes risky development/implementation cycles. Once implemented, modifications can be difficult, but are inevitable if a business wants to respond to the constantly changing market demands. It is a mistake to think that if you put in enough money and up-front research the system will not need modifying ever again.

The result of all this over-complexity is that the IT dollar needs to be spent on general maintenance and upkeep of what is a highly complex IT system. Recent estimates indicate that a majority of IT budgets are spent on system maintenance

Unfortunately, this leaves very little to be spent in precisely the area that has been proven time and again to deliver the most gains in productivity – innovation.

Being Smart about IT Spending

Correct IT investment can deliver significant bottom line improvements both on the cost side as well on the revenue side.

In spite of the current market difficulties, there *are* companies who are not only surviving, they are pulling ahead by focusing on a key sustainable competitive advantage - using innovative strength to change and optimise the way they do business. This means they are smart about the way they utilize technology. They have managed out the unnecessary complexity in their systems. By freeing up organisational resources they can redirect resources to spending on IT innovation.

By managing out the complexity, and breaking away from the patterns of recent years that saw the IT dollar disappearing into the black hole of general system maintenance and upkeep, business will be able to support business process innovation to increase productivity and efficiency. IT should be the great enabler of business – not the roadblock.

Businesses need to harness technology to enable innovation and simplicity within the organisation. Systems should be easy to add or change functionality, in response to constantly changing business processes, and the unique requirements of your business. There isn't a "one-size-fits-all" solution – nor should there be. Your IT infrastructure should be a foundation for giving you a competitive edge. Systems should be easy-to-use, and easy-to-learn. Users should be able to view and control information as required or as authorised. Automated workflows should mirror business processes.

Reaching this goal requires that businesses manage their IT budgets differently – they need to focus on ways to reduce the cost of system maintenance so they can place focus on investing in business process improvement where it can really draw value.

Managing out the complexity

This requires that companies manage out the complexity of their existing systems. The good news is that today there are solutions on the market to address these issues. The technology market is responding to the need to streamline, simplify and improve functionality on a regularly changing basis. Progressive IT businesses are offering comprehensive IT solutions which focus on the business processes of the company as the basic building blocks of the system. "Business Process Platform software", as it is known, offers management platforms that allow businesses to design, deploy, manage and measure their own unique business requirements. Technically speaking, it releases the tight coupling of the underlying static source code in the ERP systems from the business processes, to provide a high-level platform that acts as a powerful and highly controllable interface. Ultimately this means that business systems gain agility – they can respond quickly to any market demands or opportunities. With this new technology and with improved ability to communicate throughout the supply chain, innovation and change can truly be embraced.

Precisely this approach has been utilized to great effect at one of Australia's leading distribution organisations. Over recent years, the company has made change and innovation a cornerstone in the IT department's day-to-day operations. The IT department has become an integral part of the organisation's striving for business process improvements. Their now-flexible systems mean that every management meeting is a vehicle for implementing changes quickly. Right across the supply chain they have been able to improve accuracy, customer service, communication and process efficiency. With innovation and initiative being promoted company-wide, employee satisfaction has also increased.

IT Should Enable Business Innovation

The current economic times are challenging, but they can also be an opportunity to thrive. Businesses will be forced to cut waste and really think about the most effective use of their spend. The IT dollar needs to be spent in areas that can deliver value to the company. Companies need drop the old habits of focusing their spending on maintaining over-complex systems that make business process improvement difficult. They need embrace change and manage out the complexity to restore IT to its proper role as an *enabler* of innovation that delivers value and improves productivity. Companies who adopt this approach to IT will be the ones to not only survive this period of uncertainty but emerge truly prosperous.