

Forecasting/Demand Planning

WHITE PAPER

7 Success Factors for Today's Supply Chain Projects

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LINE OF BALANCE

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In today's economic climate, no manufacturer can afford to fund any supply chain management (SCM) project that fails to deliver results.

Executive Summary

In today's economic climate, no manufacturer can afford to fund any supply chain management (SCM) project that fails to deliver results.

Fortunately, some best practices exist to guide companies through these projects and increase the chances of success.

This white paper describes seven success factors for today's SCM projects, which have been identified by seasoned executives with decades of experience in the field.

These factors correspond closely to the 10 success factors for IT projects identified by The Standish Group during 25 years of analyzing IT project success and failure.

Some are tried-and-true project management basics, such as "find an executive sponsor." Others may be surprising, such as "stay flexible."

These seven success factors for SCM projects are:

- 1: Set realistic goals
- 2: Make an effective plan
- 3: Find a strong executive sponsor
- 4: Assemble good resources
- 5: Stay flexible
- 6: Allow for testing
- 7: Promote user buy-in.

The rest of this white paper describes each of these success factors in more detail. And a series of pie charts shows how each factor contributes to the overall chances for project success.

Introduction: The need for SCM success

Today's economic climate is challenging for all manufacturers, especially those with production outsourced to distant partners in Asia.

How can companies respond quickly to today's rapid changes in both demand and supply?

How can you create a more efficient supply chain that saves costs, reduces delays and uncertainties, and builds profits?

As the recession slowly fades, far-thinking companies are considering how to create a more fine-grained and effective supply chain management (SCM) system. This holds out the promises of rapid response to changes, the capacity to cover more scenarios with lower inventories, and ultimately higher profits.

These benefits can be achieved, if you plan and execute your project properly.

Unfortunately, not every SCM project is a success. Today more than ever, any SCM project funded by management must succeed; if it fails, the repercussions can be devastating: lost opportunities, ongoing inefficiencies, higher costs, perhaps a negative attitude among managers towards any future IT system proposals, and most concerning is potential loss of key customers.

No forward-thinking business hoping to thrive in today's economy can afford that.

The seven success factors outlined in this white paper can help ensure that your project succeeds.

Reality check: How do these success factors compare?

How do the seven success factors in this white paper compare with industry best practices?

To find out, we compared our list to the findings from one of the best-known firms in this field, The Standish Group.

Based in Boston, The Standish Group has investigated more than 70,000 IT projects since 1985, seeking to identify success factors and encourage better results. Its analysts have identified the top 10 success factors for IT projects, as shown in Table 1.

The seven success factors outlined in this white paper can help ensure that your project succeeds.

Table 1: Success Factors in IT Projects

The Standish Group's Top 10 Success Factors for IT Projects	Weight of this Factor	Covered by this White Paper's Success Factor
User involvement	20%	4: Assemble good resources 7: Promote user buy-in
Executive support	15%	3: Find a strong executive sponsor
Clear business objectives	15%	1: Set realistic goals
Experienced project manager	15%	4: Assemble good resources
Small milestones	10%	2: Make an effective plan
Firm requirements	5%	2: Make an effective plan
Competent staff	5%	4: Assemble good resources
Proper planning	5%	2: Make an effective plan
Ownership	5%	7: Promote user buy-in
Other	5%	
Total weight	100%	95% (all but "Other")

Source: "CHASOS: A Recipe for Success," The Standish Group, 1999

"No project requires all 10 factors to be successful," notes this report, "but the more factors, the higher the confidence level."¹ First published in 1999, this list has stood the test of time. The right column in Table 1 shows how these factors correspond to those in this white paper.

As you can see, this white paper covers 95 percent of the best practices identified by The Standish Group.

Success factor #1: Set realistic goals

One of the habits of highly effective people is to "begin with the end in mind."²

In this case, that means you must see the precise business problem(s) you're trying to solve, and how your business will look once it's solved. You must provide convincing answers to the questions: "Why do this? What is our fundamental problem? And how can we measure any improvements?"

Some common project goals include:

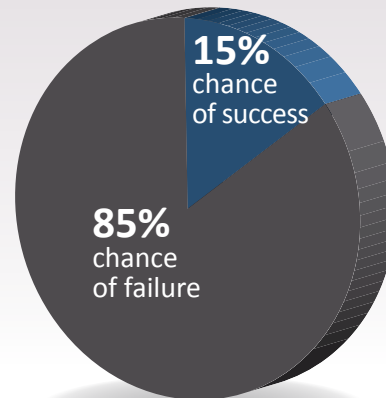
- ▶ Consolidated and more timely information to respond faster to changes or events
- ▶ Reduction of resources required to perform analysis
- ▶ Ability to compare decision alternatives against each other to understand what impact each alternative has on corporate metrics
- ▶ Higher inventory turns and lower inventory carrying costs
- ▶ Improved customer satisfaction.

However, these are hard to achieve with ERP alone, or by dumping numbers into Excel for further analysis.

The functionality you need is not likely there, data sources are not connected, and the process is too time-consuming and not scalable. There is no effective way to

Setting realistic goals adds 15 percent to the chance of success.

Figure 1: Setting realistic goals adds 15% to the chance of success



1. "CHAOS: a Recipe for Success," The Standish Group International, 1999, page 4.

2. Stephen R. Covey, "Seven Habits of Highly Effective People," Free Press, 1989, page 95.

collaborate with people in other locations or other companies. Or perhaps every change request requires a lengthy analysis where at the end, you are not confident in the results.

Perhaps supply chain partners that provide components, manufacturing, or final assembly all use incompatible systems. A reasonable goal may be to bring everyone together on the same system, so that sharing results and responding to supply chain challenges is faster and easier for all.

The key word here is “realistic.” The tips on the following page can help you set a realistic scope for an SCM project.

Tips on setting realistic goals

Goal-setting tip #1: Don't try to boil the ocean.

Most companies have many supply chain problems to solve. But some try to do too much all at once, creating a costly, lengthy project with careers riding on the outcome. If you can only solve one thing at a time, analyze what causes your firm the most pain and drains the most money. That can be an obvious place to start.

Goal-setting tip #2: Plan for a quick time to value.

You must define success and see it in a relatively short period of time, such as six months or less. Delivering a quick, quantifiable ROI will prove that your business is on the right path.

Goal-setting tip #3: Keep it simple.

“Many times, the best answer is the simplest,” advises David Meyers, director of consulting firm Tompkins Associates, which has completed many successful SCM projects³. As much as possible, aim for a simple solution rather than a complex one. Once you succeed with the simple solution, it may be easier to find resources to add more advanced functionality.

Goal-setting tip #4: Consider SaaS.

Software delivered as a service can eliminate much of the complexity and risk of a project. With SaaS, there is no up-front cost required to select, install, and tweak hardware, or to install software. With the basic infrastructure already taken care of, your team can focus on value-added elements of the project.

Goal-setting tip #5: Think of SCM as an ongoing journey.

Successful manufacturers consider refining their supply chains an ongoing journey. Don't scrap a project because you can't afford the total solution today. It's better to reduce the scope to fit the budget. In fact, many teams eventually realize they didn't need all the functionality they originally specified. A step-by-step process can sometimes get you to your destination faster and easier than you expected.

Once you know your goals, apply the discipline to develop a detailed plan for how to reach them.

³: David Meyers, “Seven Keys for Successful Supply Chain Execution System Implementation,” Supply Chain Edge newsletter Tompkins Associates, February 2004. Downloaded February 12, 2010 http://www.tompkinsinc.com/publications/competitive_edge/articles/02-04-Systems_Implementation.asp

Success factor #2: Make an effective plan

Time management experts like to say that every minute spent planning saves 10 minutes doing⁴. This 10:1 savings may even be multiplied by one or two orders of magnitude when applied to an IT project.

Once you know your goals, apply the discipline to develop a detailed plan for how to reach them.

This plan must cover all the obvious details of hardware and software, transactions to be processed, data inputs and outputs, reports required, security provisions, and so on.

Beyond that, an effective plan also grapples with less tangible but equally critical considerations, such as how to communicate the system benefits, how to manage change, how to pull together an effective team, and how to manage the budget for best results.

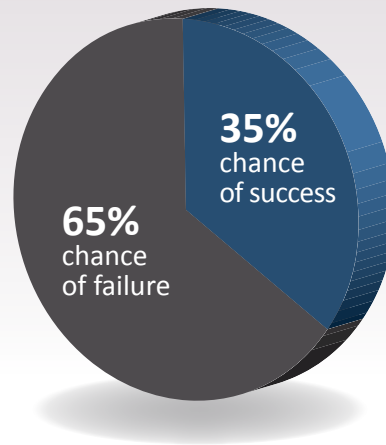
“I’ve seen a lot of projects, but I’ve never seen one project that manages all these factors equally well,” comments one seasoned field engineer. “There’s always room for improvement in some area.”

The best way to plan a successful project is to reach out to every affected group during the planning process. Make sure to consider their viewpoint; and if you can, include their requirements.

The Standish Group recommends a proper plan with firm requirements and small milestones. Taken together, it says these factors contribute 20 percent towards a project’s success. As shown in Figure 2, these first two success factors contribute 35 percent towards the chances of project success.

Finding an executive champion is an excellent way to boost your project’s chances of success.

Figure 2: Effective planning boosts the chance of success to 35%



4: Brian Tracy, “Time Power: A Proven System for Getting More Done in Less Time Than You Ever Thought Possible,” AMACOM, 2004, page 53

Success factor #3: Find a strong executive sponsor

Every successful project needs a strong executive sponsor, who can make decisions quickly and remove any roadblocks for success.

This is a basic lesson from Project Management 101 that you've likely heard many times... because it's true.

"Support for the entire implementation project must come straight from top leadership in your organization," agrees Meyers⁵. So does virtually every other project management expert in the field.

"Most successful projects have quality executive sponsors," says a recent newsletter from The Standish Group. "In most cases, projects without quality executive support will perform poorly."⁶

The Standish Group assigns 15 points out of 100 to this factor. In other words, finding an executive champion is an excellent way to boost your SCM project's chances of success.

- ▶ An ideal executive sponsor has these characteristics:
- ▶ Political clout to push the project forward
- ▶ Power to allocate resources people to the project team, and defend their time
- ▶ Persuasive enough to overcome dissenters
- ▶ Committed enough to get buy-in from other divisions or departments
- ▶ Highly placed in the corporate hierarchy, ideally at the C-level.

Figure 3: Add a strong champion, and the odds of success reach 50%



5: Meyers, ibid.

6: "How to Be a Good Executive Sponsor," CHAOS Activity News, The Standish Group International, September 2009, page 1.

Success factor #4: Assemble good resources

Every project needs a team behind it.

Your SCM project will need people with the right qualifications who are engaged in the challenge and committed to a positive outcome.

Your project will likely need to pull together all the following resources:

- ▶ An experienced project manager
- ▶ Subject matter experts (SMEs)
- ▶ Good cross-section of the user community
- ▶ Competent technical staff
- ▶ Responsive professional services people from your chosen system vendor.

Your SMEs and users will need knowledge in all the appropriate areas of your business, such as inventory control, logistics, production planning, purchasing, and so on.

But as we all know, good people are busy. Freeing them up for yet another project is never easy. These people may be widely dispersed across your company, making it a challenge even to hold meetings or share information.

You must find a way around all these obstacles for your SCM project to succeed.

The Standish Group gives the factors we've grouped together here—user involvement, project management expertise, and competent staff—a whopping 40 percent of the chances for project success.

(To be fair, we have split user involvement in two, counting 10 percent here and the final 10 percent under our last success factor, promoting user buy-in.)

According to Meyers, the success of any SCM project hinges on having enough knowledgeable people devoting enough time to it. If team members are routinely

The success of any SCM project hinges on having enough knowledgeable people devoting enough time to it.

Figure 4: With a good team, the odds tip strongly towards success



pulled away to support customers, fight fires, or tend to ongoing duties, the team members who remain will have to make up for the shortfall... not an easy tradeoff.

Your executive sponsor must insist on allocating enough resources to your project, and defend them against being called away. If your company can't commit appropriate resources, your SCM project will likely fail.

Success factor #5: Stay flexible

As you know, most lists of IT best practices stress how to "nail down your specifications, and resist scope creep." Even That Standish Group recommends always having "firm requirements."

But there's a hidden danger to this approach.

What if some reluctant users want every report from the new system to look exactly the same as they used to? What if they still want reports that are never used? Why turn back the clock to reverse-engineer an existing system, ignoring everything that's been learned since it was designed?

A little flexibility provides another option. If your system can produce a slightly different report out-of-the-box with no customization, why not consider it?

After all, your system vendor has considerable experience working with other companies similar to yours. These tips and best practices from other projects are part of the value they bring to the table.

If you reject all that out of hand, and insist that everyone follows the "specs" produced at the start of the project, you may be shortchanging your company. This can be particularly true when implementing an SCM solution. The way a company runs their supply chain can be their competitive advantage. It would be foolish to stick to an initial requirement if a better way was found to perform a job that could improve business performance.

Of course, you need to plan; that's success factor number two in this white paper.

But keep an open mind. Once you begin to design and implement your project, someone may suggest a further refinement, a small tweak that delivers a lot of value for a minimal cost.

In this case, your project team members must have the courage to go to your executive sponsor and explain that you've found a better way to do something.

Companies that stay flexible can end up with a better solution than they planned on.

Companies that stay flexible can end up with an even better solution than they planned on.

Success factor #6: Allow for testing

It almost goes without saying: Testing is critical to project success.

Never rush any new SCM system into production without extensive testing. Make sure to allow lots of time in your schedule for testing, debugging, and retesting. When it comes to testing, more is far better than less. Never scrimp on testing to save time or money.

Effective testing draws on every role of person who will use the system. Make sure to include people from different departments, divisions, lines of business, locations, and so on. These team members must actively participate in the design, testing and training to ensure that everyone who will use the new system, regularly or casually, locally or remotely, can use it effectively.

Your user reps must define a thorough set of use cases, and help draw up a formal test plan to accommodate all of them. Various users should then run your tests looking for bugs, discrepancies, poor response time, and so on.

If there are gaps in your use cases, or inadequate coverage of some user groups in the design or execution of your test plans, this can lead to frustration and a low adoption rate when the system goes live.

Three strategies for testing

Depending on the project specifics, you may want to use one or more of these three best-practice approaches to testing.

Strategy #1: Incorporate testing as part of the design approach

Traditional development models have a series of detailed requirements documented. Then a design document is developed which is used as a guide for development of the solution. Users often don't see what the solution will actually look like until the development is complete and "the curtain" is pulled back to reveal what the developers created. Often this is where there is a gap between what the user thought they were getting and what the developer thought the user wanted. Alternatively, by utilizing a more iterative design prototyping approach, the developer can show the user initial draft versions and get feedback before many hours of development go into the solution. The user ends up getting a better sense of the ultimate solution as it is being developed, and therefore can be more informed when developing test strategies and cases.

Strategy #2: Rely on developers to create test cases but have users provide input into them

It's common to see test cases either created by the developer of the solution or the end user; however, because of reasons described above, it's common for there to be gaps in understanding or expectations as it relates to what the solution will do or how it will look. Having test case development an activity that is solely performed by one party or the other will often produce less than desirable results. If the developer produces them, they will test well against their design, but might

When it comes to testing, more is far better than less.

overlook key functional requirements or miss use cases that may not have been properly communicated. If the user produces them, they may venture into areas which were not discussed in the original scope, and therefore not areas that were intended to be handled by the solution. Therefore a joint approach tends to achieve the most smooth and successful result come testing time.

Strategy #3: Provide time for dedicated, face to face testing...it will get you there faster

Obviously testing has to be done; however, there are different ways at going about it. In situations where the deployment team may be spread apart in different geographical locations, the tendency can be to try to give users test cases to execute on their own. This often becomes challenging on a number of levels, including ensuring that everyone is focused and not distracted by other priorities, ensuring everyone is aware of issues that are discovered by others so that effort isn't expended repeatedly on the same problems encountered by multiple people, etc. The most effective approach to testing tends to be the "get everyone in a room" strategy. Utilizing this method will get you the most efficient and effective results.

Success factor #7: Promote user buy-in

No system is worth anything if no one uses it... or if users are on the lookout for ways to work around it or revert to older methods. A final significant success factor is to work hard to ensure strong user adoption.

How can you encourage everyone to feel that the new system will solve their problems better? How can you promote user buy-in for a new way of doing things?

Some suggestions:

- ▶ Set realistic expectations, for both users and managers, both local and remote
- ▶ Do not over-promise and under-deliver
- ▶ Plan how you will manage change
- ▶ Do lots of training
- ▶ Provide for quick support when new users have questions

If you don't do these things, frustrated users can quickly backslide, tempted to go back to their old processes, or to find workarounds to avoid the new system you worked hard to implement. If users revert to the old ways of doing things, your original problem(s) will remain unsolved.

Some users may even try to influence management, claiming the new system is inadequate and should be rolled back. This is an occasion when your executive sponsor needs to be firm, and say, "No! You need to use the new system."

Of course, his voice will go unheeded if there are serious system glitches, supply chain snafus, friction from disappointed customers, and confused users who were never properly trained or motivated.

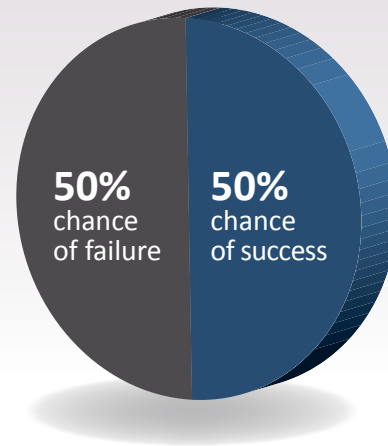
“Believe it or not, not everyone will be as excited as you are about the new system,” notes Meyers.

“The challenge of learning the new system, and the time and effort required may not seem worthwhile... You must work to ensure buy-in at all levels and continue to communicate the benefits of the new system to those who will be impacted by the transition.”⁷

The Standish Group puts user involvement at the top of its list, giving it 20 percent of the chance of IT project success. We already counted half for factor number four; the final 10 percent is here, plus another five percent for “ownership.”

This means that by following all seven success factors identified here, your chances of success with your SCM project will be an astounding 95 percent... far better than the industry norm.

Figure 5: With user involvement, the odds of success are rock-solid



Conclusions

This white paper described seven factors that increase the chances of success for any SCM project. Together, these cover an estimated 95 percent of the factors for IT project success. By following these seven factors, you can dramatically boost your chances of success for your SCM project.

⁷: Meyers, *ibid.*



ABOUT KINAXIS

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