How to Build a Strong Business Case for Your Supply Chain Technology Investment, Part 1

Supply chain planning professionals know that better tools are needed beyond standard ERP to improve performance without adding people. The path to deciding and investing in new software tools is a more complex and scrutinized process than ever. Gone are the days when CIO's had full control of IT expenditures.  Today, even small investments require full consensus among all business and IT stakeholders, along with a business case…a strong business case.

How do you get started?  This article will help supply chain leaders make the case for supporting the investment in supply chain software, by helping you explain the business impact to your leadership team.  It will teach you how to define the project scope and take a blended approach that accommodates business growth, improved operational effectiveness, reduced supply chain risk, and ties these to financial benefits.

Supply Chain technology projects are as much about business process and organizational readiness as they are about technology. Lack of a clearly defined supply chain vision and roadmap leads organizations to an inability to justify technology investments to support their ongoing process and long-term needs. The top factors that motivate organizations to invest in supply chain technology are:

- Reducing operating and support costs
- Enhancing decision making
- Supporting customer expectations or demands

Supply chain technology leaders face the following challenges:

- Quantifying the business value when soft savings and cost avoidance are not enough.
- Aligning project scope with organizational readiness to ensure the technology solution can be adapted to users and future business needs.
- Identifying quantitative savings that can deliver a payback within two years.

A business case provides the comprehensive justification to support initial and ongoing commitments of time, resources, and funding for the project. Quantitative and qualitative cost-benefit scenarios, including the option of doing nothing and associated risks, are important elements to justifying the technology investment. It is also recommended to consider nonfinancial benefits such as supporting scale, agility, and innovation.

To get started building your case, start documenting the business process, organization, technology, and performance metrics that reflect the way things are working across three different states: Current state, Transition state, and Future state. Identify multiple alternatives for reaching that future state; summarize what those would be and how they would support getting to the desired future state. Consider the alternative solution of no action, and summarize the impact of that decision. To identify short-term and long-term needs, consider three key questions:

- At what level of maturity is the organization today? (Are you using off-line spreadsheets, or experienced with advanced statistical modeling?)
- Is your current ERP system of record the long-term technology platform choice?
- What software features are required?

Regardless of the type, timing, or level of detail, a business case should:

- Define the problem or opportunity.
- Persuade stakeholders that the problem or opportunity is real and that the organization needs to take action.
- Convince stakeholders that your recommendation is the best solution for the situation.

Start by ensuring that you have clearly defined the problem or opportunity statement and have explained the 'why' behind it. In order to compel action, be specific with the problems and tie the issues to the core business fundamentals of:

- revenue generation
- cost containment/reduction
- risk mitigation

Do not minimize the impact of risk. Everyone loves a revenue-generating plan, but leadership has a strong psychological attachment to the capital already in reserve. As the old adage goes, "one in the hand is worth two in the bush."

In part two of this topic we will get into the attributes of a compelling supply chain technology business case. Specifically, what are the tangible cost drivers that CFO's will accept? How should you quantify the impact of service? How do you mitigate risk factors to ensure project success? Should you be in the cloud?