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CCMI Survey Reveals Wide Gap Between Supply Chain Technology Investments and Results Achieved

Consulting firm also outlines strategies for bridging the value attainment gap through lifecycle measurement and Cultural EvolutionSM program

ALEXANDRIA, Va. (March 31, 2003) – A recent survey by Capital Consulting & Management Inc. (CCMI), a supply chain-focused consulting firm, reveals the majority of investments in supply chain technology have not yet paid off in bottom line improvements, resulting in a vast disparity between the approximately \$15 billion spent on new systems during the past three years and the measurable results achieved. In conjunction with this survey, CCMI has outlined a two-pronged lifecycle management and *Cultural EvolutionSM* program to increase the value of current and future supply chain technology investments.

The recent survey, which polled supply chain executives across a wide range of industries including manufacturing and retail, showed that less than 20 percent of companies who purchased supply chain technology believe their investments have “definitely” shown a clear and favorable return on investment (ROI). The technology was expected to help reduce costs and inventories, cut cycle times, improve forecasting and increase flexibility and responsiveness in areas such as planning and execution, procurement, production scheduling, transportation management and order fulfillment.

“The ‘go-go days’ of major supply chain software and hardware investment are largely over,” said Scott Elliff, president of CCMI. “Companies now need to turn their attention to improving usage of these new systems within the everyday execution of supply chain activities so that they get the bottom line benefits these systems were designed to provide.”

Other key CCMI survey findings include:

- ROI was a factor in the decision-making process for more than 90 percent of companies, who expected either strategic or operational benefits – or both – from their supply chain technology investments
- Among those who achieved clear ROI from their technology investments, nearly 60 percent indicate that their ROI has been below the level they expected
- Senior management involvement in achieving the benefits has been very limited, with more than 80 percent of supply chain managers indicating “cursory” or “no” significant levels of attention – an especially surprising result in light of the cost and visibility of these investments
- Factors contributing to the shortfall in value attainment include organizational challenges, long implementation times and inadequate support in driving adoption of supply chain technology

“Companies need to take a new approach to value attainment in the supply chain arena,” said Charles Maynard, president of Cojent Consulting and co-author of the study. “First, you have to have a rigorous methodology that measures and tracks value over the entire lifecycle of the technology – not just during the up-front decision period. Secondly, you have to create the organizational environment that supports and encourages the adoption of new technology so that the value of these solutions can truly be realized.”

Two-Pronged Valuation and *Cultural Evolution*SM Program

CCMI’s work with clients addresses both of these key elements of supply chain technology value attainment. First, CCMI determines which of the more than a dozen available IT valuation models is most appropriate to a company’s unique situation and develops a roadmap for using the selected model. Second, CCMI applies a

comprehensive *Cultural Evolution*SM program designed to increase the adoption rate of supply chain systems, including several key dimensions:

- Communications: Emphasizing the rationale and expectations for new technologies
- Incentives: Aligning incentives and performance standards to better ensure active participation and support for change
- Organization: Creating an environment that encourages innovation and risk tolerance
- Skills: Identifying and filling the gaps in internal capabilities so that new technology can be fully utilized

“This two part program of lifecycle measurement and *Cultural Evolution*SM can help companies achieve the benefits that new supply chain technologies can provide – and that have so often been lacking to date, as the CCMI survey results so clearly show,” Elliff concluded.

A white paper including the full survey results and detailing the programs needed to fully achieve ROI is available by contacting CCMI at scott_elliff@ccmiservices.com or 703-370-2607.

About Capital Consulting & Management Inc. (CCMI)

CCMI has more than 17 years experience developing and implementing supply chain process improvements that truly "move the needle" for clients by reducing costs, shortening cycle times, improving performance on key financial measures and strengthening strategy and capabilities. Overall, CCMI has helped clients save more than \$2 billion in annual operating costs and inventories, with typical reductions of 15 percent or more in procurement, manufacturing, transportation, logistics, order fulfillment and related areas. CCMI has had a leading role on projects for a diverse set of clients, including Amgen, Amtrak, AT&T, General Electric, Kmart, Lucent Technologies, NexPress Solutions, Sara Lee, SkyJet and Zenith Electronics. For further information visit www.ccmiservices.com.

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