

Does the Supply Chain Department Need the IT Department?

I have been involved with “Cloud-based” thinking over the past several months, plus I have seen the level of IT expertise among the (younger) workers in Supply Chain organizations. This has led me to a really radical thought: does the Supply Chain Business need the IT Department?

Let's say it is 2012 and your company just created a new Supply Chain Management Department to integrate processes from Logistics, Procurement, Marketing, plus even Finance and Customer Relationship Management. WOW! What a “Green Field” opportunity!

A team composed of representatives from each of these functions concluded that an ERP system, including an EDI interface, would fit the bill exactly. This conclusion was driven completely by business function owners and business subject matter experts. Involvement from the IT organization was limited to a few security reviews.

Many of the staff members have a good understanding of software, infrastructure and social media technology, even though most had not studied computer science. Today's younger workforce has technology so implanted that implementing tools to help them do their job better comes naturally. Have to realize that these same individuals have been using technology in their personal lives for many years – their phones, their music, their games. These individuals have a “do-it-yourself” attitude when it comes to using technology at work and find excitement in learning new technologies. Many find dependencies on the IT organization to be a hindrance and would prefer to have the accountability for the tools that help them do their job.

So how can an ERP implementation be IT-independent? Because it is implemented as a cloud-based application. Yes, it could have been implemented the exact same way with software running on the IT organizations infrastructure. However, we all know, that is not typically how it works. When an IT team knows they need to run the underlying infrastructure, they anticipate that the business will rely on them for broader application support. Using cloud applications forces the Supply Chain Management Department to think differently about who was truly accountable for the software and its implementation. SCM decided that “the business” owned the software and therefore the business process owners should be accountable. There was no IT organization to blame if this didn't work.

The business owner (not the IT department) must make the decision about investment and commitment to information technology. Sound business decisions about using technology cannot be made if the business owner perceives to be getting the system “for free” from IT. Similarly, a decision to invest in IT should not be limited by lack of internal IT resources or IT project prioritization. If a technology project stands on its own business merit, there should be a mechanism to execute on that project.

This concept of IT-free applications accountability and ownership is particularly important for the supply chain organization. When the supply chain organization becomes a service function, it increases the pressure to provide the best service at the lowest cost. Better use of technology is the most logical place for the supply chain management organization to gain an advantage and bring more innovative business processes to their internal customers. The conclusion is that the SCM group must be as much about technology as it is about supply chain operational expertise.

An added factor too is that managers want to compare their internal supply chain management function with outsourced supply chain management from 4PLs or 5PLs. Good outsourced supply chain management solution providers bring both good systems and plenty of experience. Internal supply chain organizations need to obtain a similar understanding of their technology so that their capability is sufficient when compared to outsourced solutions. A supply chain organization that depends on the IT team for this expertise is not likely to be as effective as one with combined operational and technical expertise.

Many of the events coming together will change the IT organization and how “the business” manages technology:

- A new generation of workers not only having the ability to manage technology, but a desire to take ownership over the systems and processes impacting how they do their job.
- Technology advances in cloud applications, infrastructure-as-a-service and enterprise applications removing the complexity of operating the underlying IT (installations, downloads, uploads, trouble shooting) will allow business users to run the whole show.

This conclusion leaves us with a paradox. Business innovation and technology occur together. However, most IT organizations are not chartered or equipped to bring business innovation. Thus business innovation can only happen when business people become smart enough so they can own and leverage the technology.