



The Five Sure-Fire Strategies

for Gaining Management
Approval for WMS Projects



Introduction

An ever-increasing number of companies today—manufacturers, distributors, retailers and others—have implemented warehouse management systems (WMS) to drive immediate, measurable cost reduction and improve operational efficiency. These companies leverage powerful functionality to maintain efficient operations and satisfied customers. The benefits are numerous, often including dramatic increases in inventory accuracy and on-time shipments, reduced labor costs, improved throughput and increased ability to accommodate value-added services. However, despite the widespread consensus as to the benefits of WMS, gaining approval for a new system can be a challenging endeavor. Although you may be convinced of the value the system will bring, you are now faced with getting other decision-makers on board with this critical choice. It is imperative to get the appropriate decision-makers in key areas such as Operations, IT and Finance, as well as the executive team and the Board of Directors, to see distinct value in the WMS proposed. If you're like most companies, you'll be required to follow a process involving several stages of information gathering and approval. This is not an easy process, but being prepared with the right facts will help you avoid going in blind—and significantly improves your chances of getting the project approved.

The Five Sure-Fire Strategies for Gaining Management Approval for WMS Projects

1. Understand Your Company's Strategic Initiatives

Most companies will start the WMS search process with a high-level presentation to the executive team to gain initial approval before further research into the project can begin. This is a critical step. Prior to this meeting, you must research and fully understand your company's overarching corporate goals and strategies. To ultimately gain budgetary approval, the WMS project has to directly contribute to or align with one or more of these key corporate initiatives. Be prepared to provide detailed information on how the WMS project is strategic to the business (i.e., if a key corporate strategy is improving your customer relationships, you can point out how an adaptable WMS can quickly and cost-effectively meet customer demands; other examples may include how the project will drive cost savings, meet Sarbanes-Oxley compliance requirements, or improve product quality control). Ultimately, you'll be competing with other projects for limited budget dollars. If the project is not adequately aligned with an important corporate strategy, you significantly increase the risk of having the project stall—or worse yet—having the project get cancelled after a lot of hard work on your part.

2. Identify Key Influencers From IT, Operations and Finance and Align Yourself Accordingly

During the WMS approval process, you will need to gain alignment with key decision-makers in three areas of your company: IT, Operations and Finance. Once you determine the key people needed to secure approval from each area, you can begin your research. Explain how the WMS project will benefit each audience given particular areas of concern. For example, IT will be interested in learning about system integration, product architecture and long-term maintenance. Operations will want to respond quickly to customer demands while achieving more efficient processes. Finance will want hard number projections for evaluating system payback. This step should come after you have discussed how the system will meet strategic goals with the C-level executive group.

To build consensus, you will need to determine the right time to bring each key influencer into the planning process. As your planning and research progresses, provide regular reports to key influencers so they are aware of the high-level goals and activities and how the project is progressing. Tie these reports back to the company's strategy without being too tactical. For example, you would want to talk about how the system saves on IT costs and not go into the details of how the system works on a technical level.

3. Research Area One: Specific Information Needed for Key Influencers

You will have to understand in detail which messages the IT, Operations and Finance audiences need to hear to back the project. Thorough research will be essential.

IT will want to know the cost and time involved in implementing and maintaining the system—and what their actual involvement will be. One of the biggest IT challenges today is coping with already tight budgets. Paying particular attention to system features that will make it easier for IT to do more with its limited resources will go a long way toward your ability to gain approval and even build some excitement about the benefits of the WMS. Part of this will include the way changes and upgrades are handled (as discussed in the Total Cost of Ownership section). If IT has control over future system configuration and won't have to rely on outside sources to execute Operations' change orders, savings will become apparent. During these discussions you will also need to find out about other architectural requirements. Examples of this may include whether the WMS can operate on a centralized or decentralized model, how roll-outs to multiple sites are handled, and what the system/material handling equipment (MHE) integration capabilities will be. Ease of integration with existing systems, both internal and external, is essential to keeping IT's time and cost investment low.

If your company already uses an ERP system or will be implementing one in the near future, you will likely face the “ERP versus best-of-breed” question when it comes time to talking about your WMS project. This is because ERPs offer a range of functionality that can be used in fulfillment, distribution and other supply chain-related functions. ERP vendors often offer this software at a reduced price for their customers. However, there are serious functionality differences between ERP warehouse modules and best-of-breed WMS that you need to understand. Do thorough research on this subject. In particular, ensure that you have a separate cost proposal from the ERP vendor regarding the price of initial implementation for its warehouse module and how future changes or upgrades will be billed. Is it flexible enough to meet changing business requirements? Is the warehouse module down when the ERP is down for routine maintenance? Ask the ERP customer references how easily they have been able to change the ERP warehouse module over time and whether the actual implementation costs remained in line with original project proposals.

Operations will want to know how the functionality set will tie to strategic initiatives in addition to specifics about carrying out daily processes. For example, how improvements in picking will ultimately improve business performance. Much of this information will be gained during the RFP process (discussed in the next section), in which Operations will be directly involved. Operations will also want to know how flexible the system is when changes are needed so the IT-Operations relationship is improved and not made more difficult.

Finance will be interested in the link between the system and bottom-line performance as well as metrics such as return on investment (ROI) and total cost of ownership (TCO). Upfront system costs will also be a factor, especially if you are discussing a best-of-breed system versus an add-on module to your existing ERP.

4. Research Area Two: Common Information Needed for Key Influencers

Return on Investment (ROI)

In the simplest terms, ROI is the incremental gain received from taking a particular action divided by the cost of taking the action.

In this case the action is purchasing and implementing a WMS. ROI is often extended to a measurement of “payback,” which incorporates the time it takes to achieve the ROI. Most WMS projects receive payback



within 18 months of implementation, depending on how the system is leveraged within a unique environment. The best practices-based functionality within WMS solutions offers a myriad of benefits that ultimately result in higher efficiency and lower costs—key drivers in ROI. Optimized picking, put-away and receiving improve throughput and drive labor cost reductions. Precise inventory management, the availability of real-time business information, higher shipping accuracy and reduced transportation expenditures also drive bottom-line benefits.

This much-touted measurement traditionally consisted of software vendors giving you a spreadsheet with high-level areas of the types of improvement you could expect with a WMS. Today, determining ROI involves a more detailed and accurate methodology based on your company's actual processes. A strong ROI analysis consists of detailed metrics, tangible examples and unique operational considerations that factor into your project. It is YOUR ROI, not a generic example. You'll need to include internal factors such as your IT department's time, travel expenses, and a host of other items as required by the assessment tool you utilize.

There are several options available for you to calculate ROI. First, search online for free WMS ROI calculator tools that you can download. Second, if your company has already evaluated a similar project, you may be able to develop or validate existing ROI calculations internally or with an outside consulting firm. If you have the budget, many consulting firms will perform a detailed ROI assessment. Third, you can ask potential WMS vendors for ROI tools and customer references that back up their estimates. Validate vendor-provided improvement assumptions through customer testimonials, press releases, case studies, etc. during the evaluation cycle. Spend time here with actual customer references.

Once you decide which avenue to pursue, capture current data about your company's processes. Every area of benefit must have an associated current cost and future percentage of improvement assumption. Identify improvement assumptions by vendor because not all WMS applications will provide the same return. Base payback requirements on internal rates of return, payback periods or net present value criteria defined by your finance department. They should be able to provide a target range for investments. Once you are armed with this data, your project budget becomes defined, and you know what your company can afford to invest in a WMS. This is more appropriate than asking for cost estimates from vendors that may or may not be a realistic budget foothold.

Total Cost of Ownership (TCO) Metrics

Total cost of ownership factors in not only the cost of purchasing software licenses and implementing the system, but it also assesses long-term maintenance costs. Most companies do not look beyond the initial cost outlays. Because of this they are shocked to learn that ongoing system configuration to meet changing requirements, upgrades, technical support and other maintenance can incur unexpected expense. It is essential that you understand clearly from the beginning how each vendor you evaluate approaches these areas, especially for ongoing configurations and upgrades.

The vast majority of systems today fall into two camps regarding configuration. The first includes systems that can be changed by flipping switches the vendor has included in the base application. Although the vendor has tried to anticipate changes its customers may require, it cannot possibly anticipate all of the unique aspects of your business and the type of functionality you need during implementation—much less two years afterwards. If the change you require is not available in the list of options, the vendor or a consultant will have to be paid to make the adjustment. This is because changes to the system require configuration at the code level. After a time, layers of changes make the system rigid and overly complex. Furthermore, upgrades to your system mean your unique changes will not carry forward with the new version, and you'll have to pay someone to reapply all of these configurations. In some cases, upgrading this type of WMS costs more than the initial system implementation. With this type of system, you are essentially tied to your vendor to meet changing requirements.

The other type of system separates the base application of the product from the layer that contains your unique configurations. Because of this, system configuration can be accomplished in-house by your IT staff at a fraction of the time and cost of traditional systems. Upgrading this type of system also means that your changes will carry forward without reapplication, making the upgrade process fast and cost-effective. This is the type of system you should focus on to reach your goal of controlling total cost of ownership.

Because of the threat of budget overruns due to ongoing system changes and upgrades, TCO has become a critical element in initial project discussions today. Thorough vendor analysis is essential to fully grasp the financial and operational impact of your system over the long term. Request a detailed demonstration of how changes are made within the system. Ask vendor references what version of the system they are using and if they have kept up on upgrades. Also ask how easily they are able to make changes.

In addition to an assessment of a WMS' ROI, a full understanding of the functionality it contains will also be important, especially for the Operations team. The best way to evaluate this is to complete a detailed request for proposal (RFP) with your vendor (and possibly a consultant) to ensure it offers the right functionality for your strategic initiatives and particular areas of operational concern. A good RFP will also include questions surrounding the ease of configuration.

Detailed system functionality requirements should be linked to operational or strategic benefits or documented process improvements based on best practices or continual process improvement practices. This is another area where you should ask your vendor to give a live demonstration to prove this functionality is available in the current release of the product you will be buying. Many vendors will demonstrate functionality that is 'on the radar' for the future, and you don't want to get stuck without key functionality in the base application. Some vendors even demonstrate functionality that is years down the road. Ensure the vendor references you talk with are using the same application that you are evaluating in product demonstrations and quoted for in proposals. Many vendors offer multiple WMS applications they have acquired by purchasing smaller competitors. This typically means your vendor is spreading its R&D dollars across many disparate systems versus investing in one robust core application.

Vendor Viability and References

Implementing a WMS is a major decision for you and your company. The vendor you select should become a long-term, strategic partner for your business—not a short-term sales contact. Mitigate risk by learning about the viability of the vendor whose system you are championing. Ask questions about how long it has been in business. Examine the financial strength and history of the company. Ask for references from the company's installed customer base, and whether site visits are possible at particular stages in the vendor evaluation cycle.



5. Obtain Final Approval From Executive Team/Board: Mapping Back to Strategic Initiatives

Once you have gained approval from IT, Operations and Finance, you will need to present the final project back to the CEO, executive team and/or Board of Directors. They will be interested in how the system will improve bottom-line performance and competitive positioning. Map all of the information you've learned back to strategic initiatives for the strongest impact. At this point you will be well-armed to make a strong case.

Conclusion

The process of evaluating and gaining approval for a WMS project is a critical undertaking for your organization. Fully understanding the steps you should take in winning the support of key people at various levels of your company will help speed the process. Although there is a lot of research involved in finding the right WMS, the immediate and measurable results will be well worth your effort. You will be able to better leverage your supply chain to improve customer satisfaction, react swiftly and cost-effectively to changing demands, and take advantage of new business opportunities.

Summary Checklist

(see each section within the report for a more in-depth explanation)

1. Understand Your Company's Strategic Initiatives

- a. Research and clarify strategic initiatives
- b. Verbalize how the WMS project is in line with these goals
- c. Gain initial approval from executive team/Board of Directors to move forward on evaluating the project

2. Identify Key Influencers From IT, Operations and Finance and Align Yourself Accordingly

- a. Determine the key influencers for IT, Operations and Finance
- b. Discuss the appropriate time to bring each into the project
- c. Provide regular reports that tie progress back to strategic initiatives

3. Research Area One: Specific Information Needed for Key Influencers

- a. IT
 - i. Develop messaging for key concerns: cost/time required to implement, maintain and configure the system, architecture, and multi-site roll-outs (if applicable)
- b. Operations
 - i. Develop messaging for key concerns: functionality specifics for daily operational processes
- c. Finance
 - i. Develop messaging for key concerns: ROI, TCO, how the WMS will impact bottom-line performance, how best-of-breed WMS is superior to ERP warehouse module (if applicable)

4. Research Area Two: Common Information Needed for Key Influencers

- a. Return on investment (ROI)
 - i. Choose a strong ROI tool
 - ii. Capture key data internally to complete the assessment
- b. Total cost of ownership (TCO)
 - i. Research how each WMS vendor makes changes to its system (whether code-level or not), and how these changes are carried forward during upgrades
 - ii. Request vendor references and demonstrations as proof of these capabilities
- c. Functionality
 - i. Choose an industry-leading, WMS-specific RFP template. This tool should cover all detailed aspects of functionality requirements, system configuration and company details.

ii. Get contractual assurance that the WMS you are evaluating will be supported long-term from both an upgrade and enhancement standpoint

5. Obtain Final Approval From Executive Team/Board: Mapping Back to Strategic Initiatives

a. Present all findings at executive or board meeting to obtain approval

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