

Building an Advanced Planning (APS) Business Case

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WEI *Editors Note: Ken Spigarelli gives us a break from the technology aspects of applications and takes us on a journey on which many of us fear to embark. The dreaded “how do I decide if this is the right thing to do” appears less intimidating when you have such a clear map as the one Ken has drawn for us. The process described here is geared toward the JD Edwards® Advanced Planning products, but we see no reason you could not apply these methods to building any IT business case.*

Introduction

In past articles we have focused on providing both a conceptual and functional overview of the Advanced Planning Solution (APS) offered by JD Edwards. We have offered insight into the value proposition of each module and have provided some context as to how the APS suite of products overlap with the enterprise applications in OneWorld® and WorldSoftware™. While there is much more to develop and explore, we first move to a topic faced continually by our customers and prospects—building a business case for using the Advanced Planning products.

There are many factors that contribute to a successful APS implementation. The first of which is ensuring that a business case exists for your organization to realize value for supply chain technology. Business cases are important because they provide the foundation for which the project approval is obtained. They

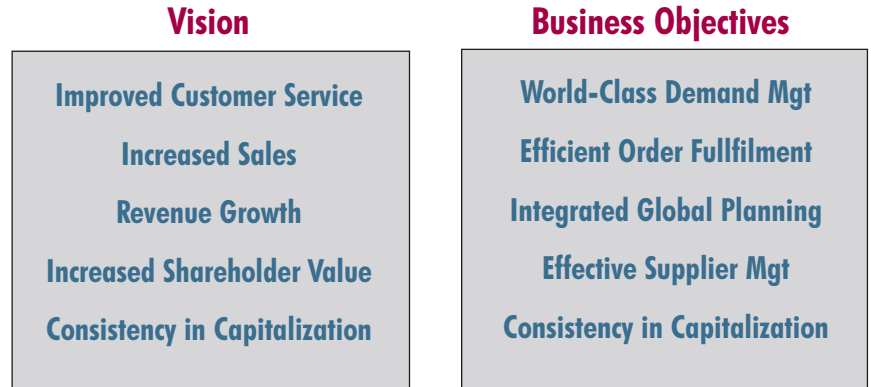


Figure 1 – Sample Supply Chain Vision and Objectives

help define the scope, deliverables, risks, and expectations for the project or initiative.

This article will introduce what we feel are some key areas when building a general IT business case. To help you, we offer these four steps for developing a concrete business case:

1. Getting started
2. Performing an internal business analysis
3. Performing a financial analysis
4. Performing a risk analysis

Step 1: Getting Started

Depending on the company and the industry environment, there may be many areas within the supply chain that can benefit from improved processes and enabling supply chain technology. A key to building a business case for supply chain solutions is to first understand where the value can be found. When look-

ing across the supply chain matrix, there are opportunities across both the vertical axis (Operational – Tactical – Strategic) and horizontal axis (Procurement – Manufacturing – Distribution – Sales) for driving costs out of the supply chain and improving value. Where to start will depend on your organization’s supply chain vision and objectives. Some examples of each can be found in Figure 1.

If you do not have a formal supply chain vision or set of business objectives, we encourage you to define them first. Your vision and objectives will shape your direction and lead you to where the opportunity exists for you to reach your goals and realize your vision.

As an example of these relationships, let’s look at Company A. Company A has a vision of increasing sales and achieving revenue growth. One business objective that could support this vision would be establishing a world-class demand management process. A demand management process will improve supply and demand visibility and can lead to improved forecast accuracy. Increased sales and a reduc-

	Design	Source	Make	Deliver	Sell
Strategic					
Product Life Cycle Management		Strategic Sourcing	Capital Asset Planning	Inventory Asset Planning	Demand Planning
Tactical					
Ramp & Obsolescence Planning		Material Planning	Master Planning	Deployment Planning	Demand Forecasting & Collaboration
Operational					
ECO Scheduling		Material Replenishment	Production Scheduling	Transportation & Warehousing	Order Management

Figure 2 – Supply Chain Business Process Matrix

tion in lost sales can be a direct result of this process, which in turn will increase revenue growth.

So as you begin thinking about a supply chain initiative and a supporting business case, it will be important to first define your vision and your objectives. It is this vision and these objectives that will shape the next key step when developing a business case – performing an internal business analysis.

Step 2: Performing an Internal Business Analysis

With a supply chain vision and set of business objectives now defined, your organization must then embark on an internal analysis to identify the functional areas that can impact your objectives and ultimately which areas will be targeted for improvement. This is a critical component of developing a business case. We recommend that an internal business analysis be composed of the following:

- Description of Existing Situation
- Description of Proposed Changes
- Definition of Deliverables and Measurements
- Strategy for Deploying Proposed Changes

Description of Existing Situation: What is the current state of the union for your organization? How are you performing today and where must you improve in order to remain competitive within your industry segment? Is your organization realizing its supply chain vision and meeting your business objectives? Today’s marketplace demands that organizations continually assess their performance and realize when change must occur. Companies cannot wait until a problem has been defined before recognizing that an opportunity to improve exists. The supply chain busi-

ness process matrix shown in Figure 2 provides a good framework for beginning your internal analysis.

Assess each of these standard business processes against your stated vision and objective to start identifying improvement opportunities. Some areas will not be impacted while others will. Company A’s objective of having a world-class demand management process would direct them to focus on the ‘make’ through ‘sell’ portions of the matrix with a heavy concentration on the ‘sell’ side. This analysis will provide the foundation for your organization to complete the internal analysis as well as sustain a proactive process of continuously monitoring your business.

Description of Proposed Changes: Once the problem has been identified, you can begin formulating a set of actions that will improve the current situation. The action should be process-driven, not technology-driven. It is our experience that

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