

# Are you getting the most out of your IT?

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It is highly unlikely that any organisation participating in the supply chain is not already making use of IT. It is however, vital to note that that mere usage of an IT system does not mean that the organisation is deriving the optimal return. Evaluation of this need not be a complex exercise but it does require that management consciously considers the issue and act accordingly.

## Four step evaluation process

Set out below is a simple process which provides a structured approach to such an exercise. This has four basic steps, as follows:

- Define evaluation criteria/functionality requirement
- Rate the importance of each of the evaluation requirements
- Identify and evaluate the suitability of the alternate options available
- Review the results and determine action required.

The table below illustrates the process from the perspective of a typical South African freight forwarding and customs clearing operator. However, the principles may be applied to any evaluation exercise. The methodology should be relatively simple to follow. From the example however, it may be useful to briefly address a few issues pertinent to each of the steps.

To be most effective the exercise should be conducted in a group with the participation of those responsible for the final decision, to ensure that those to be held accountable have exposure to all the relevant information and input.

## Step 1: Define evaluation criteria/functionality requirement

It is important to consider not only existing functionality but potential future requirements of the organisation – proactive management will understand that simply

Step 1	Step 2a	Step 2b	Step 3a		Step 3b	
Evaluation criteria/functionality	Absolute importance rating	Relative importance	Option functionality evaluation		Option relative score	
			Option 1	Option 2	Option 1	Option 2
Evaluation rating scale	0 = unimportant; 5 = most important		0 = Not suitable/avail; 5 = highly suitable			
<b>Current functionality</b>						
Indent management	0	0%	3	0	0,00	0,00
Forwarding processing	3	5%	4	2	0,22	0,11
Customs submission and compliance	5	9%	5	5	0,45	0,45
Debtor Invoicing and credit control	5	9%	4	3	0,36	0,27
File process flow and tracking	4	7%	5	1	0,36	0,07
File profitability and disbursement management	5	9%	5	3	0,45	0,27
Management reporting and control	4	7%	4	3	0,29	0,22
Client reporting	5	9%	4	2	0,36	0,18
<b>Potential functionality</b>						
Financial accounting	5	9%	3	3	0,27	0,27
Warehousing	0	0%	5	3	0,00	0,00
Customer relationship management	3	5%	5	0	0,27	0,00
Electronic document management	4	7%	5	0	0,36	0,00
Online customer enquiry facility	0	0%	3	3	0,00	0,00
Integration with other applications	0	0%	4	2	0,00	0,00
<b>Other considerations</b>						
Ability to serve future requirements	4	7%	4	2	0,29	0,15
Level of satisfaction reported from other users	3	5%	3	1	0,16	0,05
Integrity of service provider	5	9%	4	4	0,36	0,36
<b>Totals (Step 4a)</b>	55	100%	70,00	37,00	4,24	2,42
Cost/functionality (step 4b)			R 68 000	R 50 000	R 16 052	R 20 677

maintaining the status quo will be inadequate in our changing world. Reference to the organisation's incumbent solution only may well prove an inhibition to requirement definition and therefore reference should be made to alternate options available.

### Step 2: Rate the importance of each of the evaluation requirements

The objective of this step is to provide the weighting of each of the evaluation criteria identified, in order to determine their relative importance. Obviously any scale can be adopted provided it gives the ability to sufficiently differentiate between the criteria as required. Step 2b is simply an arithmetic exercise to determine the relative rating.

### Step 3: Evaluate the suitability of the alternate options available

At this point it is necessary to evaluate and compare the suitability of the respective alternate solutions identified in respect of the defined requirements. (In the illustration we have assumed that there are only two but this will vary from exercise to exercise.) Third party input, even from the solution providers themselves, may be required to provide an objective informed appraisal. Once again the scale must simply allow for adequate differentiation where appropriate and step 3b produces a relative rating combining the option suitability with the importance of the defined requirement.

At this point the cost of each option should also be determined so that both the absolute and cost-effectiveness of each solution is evaluated.

There are many considerations in determining cost, not least of which is the opportunity cost of perpetuating sub-optimal systems which could result in business loss, so participants should ensure that they adequately apply themselves to this issue.

### Step 4: Review the results and determine action required.

In the example given Option 1 clearly provides a better solution than Option 2. This is reflected in both the absolute total score of 70 versus 37 and the scoring weighted for relative importance of the functionality required by the organisation of 4,24 versus 2,42. Further, although Option 1 costs more in absolute terms the lower cost/functionality ratio indicates that it delivers better value to the organisation in terms of the participant's stated data.

Conducting an evaluation such as that above does not imply that an organisation will have to change. However, if the ultimate action taken is not in accordance with the output of the exercise it is advisable to identify the unarticulated criteria, rating or evaluation which influenced the decision, and examine the validity thereof.

### Ignorance is not an excuse

Business leadership which does not seriously consider the impact of IT on the business for which they are responsible may well not only be neglecting an opportunity to provide a competitive advantage for their organisation, but rather be actively placing their company at a competitive disadvantage. Participants in the logistics supply chain are not exempt from this! ♦