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“Fear of change”

Abstract: The “Fear of Change” affects business on a daily basis and dominates the way companies face reality. Many business owners don’t want to face the issues resulting from their outdated computer systems. Some owners rationalize not upgrading their computer system by saying: “if it’s isn’t broken, don’t fix it.” Others rationalize by saying: “my last computer installation was so difficult that I can’t afford to go through that again.” The reality is that giving into the “Fear of Change” will create a “domino affect” of business disruption resulting in higher operating costs and lower bottom line profits.



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Many companies face a daily dilemma: should they replace their current aging computer system or live with it despite its deficiencies? Not being able to make a decision, often they rationalize by saying: “Do I really want to go through that bad experience I had in the past and upset the apple cart?” Another factor that affects their decision not to upgrade software is the computer personnel’s fear of learning new technology. Having used the old software for many years, they make all kinds of excuses about why new software is not needed. Being the “experts,” Management relies on their advice. When facing the reality caused by business disruption, Management often has to hire an outside consultant to evaluate the company’s needs and recommend a new computer system despite the fear and resistance of the computer department and the users.

Issues Resulting from “Fear of Change:”

- Fear of learning new technology limits the selection of a new computer system.
- An inappropriate computer system that leads to business disruption and financial losses.
- Overcoming the “Fear of Change” results in improved operation and lower costs.

Fear of learning new technology:

Resistance to change often results in business disruption and financial losses. Frequently, the computer department is the reason why changes are not taking effect. Having gotten used to the “old reliable computer system” and being afraid to learn new technology, computer personnel become the “gate keeper,” preventing any new technology from being purchased. Any attempt at introducing new technology is met by a “stone wall” of resistance.

Recently, I spoke with the Computer Manager of a very large Construction Supply Company who refused to look at any software that was not running on his current computer platform. Despite the President’s intervention, the Manager refused to evaluate any software that did not run on the computer platform he was using. Not wanting to “rock the boat,” the President told me that his business problems were the “cost of doing business” and let the manager have his way, so the computer software not replaced.

This company often suffered from either a shortage or excess of inventory in the warehouse and frequently the wrong equipment was shipped to client construction sites. This resulted in rush orders shipped to the construction sites while the incorrect shipment was returned to the warehouse. The “cost of doing business” that the President was talking about could have been avoided by selecting the proper software regardless of the computer platform on which it was running.



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Inappropriate computer system:

Not having an integrated computer system results in limited information, and decisions are made based on “gut feeling” rather than accurate computer information. Basing purchasing decisions about what to buy on “gut feeling” often produces inappropriate purchasing decisions resulting in an excess or shortage of inventory.

In speaking with the division President of a very large importer, I was told the following story. Because of incorrect purchasing decisions, his very large warehouse was exploding from unwanted inventory while there were shortages of saleable inventory. The company owner refused to buy new software, still upset about the \$500,000 he had spent on his current computer system which didn't function accurately. The owner also remembered the business disruptions the company had undergone when the current software was implemented. So, between not wanting to cut his losses after investing \$500,000 on the current computer system, and being afraid of the business disruption caused when it was implemented, the owner turned down the division President's suggestion to buy a new, integrated Supply Chain Software.

Trying to reason with the owner, the division President told him that millions of dollars of excess inventory were collecting dust on the warehouse shelves, a problem that could be eliminated with a new integrated computer system. The owner, not wanting to face reality, turned down the division President's request. This resulted in the classic “domino affect” of incorrect shipments, inventory being returned, invoices not being paid until credits were issued, and the accounting department being backed up giving credits and adjustments instead of taking advantage of early vendor invoices discounts. Even worse, not having enough space for the excess inventory made it necessary for them to build a larger new warehouse to store the excess inventory.

The frustrated President, realizing the owner would not buy new computer software fearing a repetition of his previous experience, gave up trying to convince him and learned to live with the system's limitations, accepting its errors as the “cost of doing business,” hoping that sooner or later the owner will “see the light” and overcome his “Fear of Change.”

Overcoming the “Fear of Change”:

Upper Management in many companies realize that in today's competitive market they must upgrade their aging computer systems in order to increase efficiency and lower operating costs. As a result of today's competitive business reality, profits are lower. Therefore, sales' volume has to be increased to maintain profit margins. Many times when I ask business owners how they define a “good customer,” the answer is: a “good customer” is someone who buys very large quantities. The reality is that the “good customer” who buys very large quantities at a low profit margin, has a large amount of returns, and pays the invoices late



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can have a devastating affect on the business. Merchandise purchased on the basis of “gut feeling” often become excess inventory. Everybody remembers the “big order” they once got, not realizing it might have been a one-time promotional order, or a product may have reached maturity and is on the decline.

One of the essential ways to improve the bottom line profit is to lower the operating cost. Having an integrated software results in wise purchasing, “just in time” inventory and accurate shipments. An integrated web-based order system enables customers to order over the web, maintain an accurate record of their orders, and check inventory levels. Customers having access to their information on the web has become a new reality business needs to face.

Integrated warehouse software also results in reduced manual labor and increased inventory accuracy. Being able to scan received inventory in real-time mode, Customer Service instantly knows what has just arrived and if needed, can be shipped off the loading dock without being placed on the shelf. Many businesses keep their inventory to a minimum by having an integrated warehouse system and are able to ship the merchandise when it arrives without incurring the cost of storing it. The warehouse personnel, who pick the inventory to be shipped using wireless radio frequency devices, cannot pick or ship the wrong products. By scanning different locations for accuracy on a weekly basis, misplaced inventory is found and the computer records are instantly corrected to reflect the newly found inventory that is available to be shipped.

Summary:

Having an integrated computer system is a reality business needs to face. In order to compete successfully in today’s demanding market, integrated Supply Chain Software provides solutions from the web to back office order processing, through the warehouse culminating in updating the financial modules. Integrated Supply Chain Software results in better customer service, efficient purchasing, and accurate inventory in the warehouse, all resulting in lower operating costs that improve bottom line profit.

About the author: Since 1980, Dani Kaplan has worked with corporate executives to improve purchasing, increase warehouse and distribution efficiencies and implement the solutions that result in substantial savings and productivity improvements. Dani is president of SMC Data Systems, Inc. (www.smcddata.com) and can be reached at 212.714.3536