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Making the Leap: Driving Process and Change in Retail Using Technology to Break out of the Silos

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Spend enough time in retail and you will be convinced that people at corporate do not share a company picnic. Nor do they collaborate outside their corporate silos with the people driving store operations. And vice versa. This phenomenon represents the deep-seated dichotomy in retail, the "us versus them" syndrome fundamentally driving inefficiencies and discontinuities throughout all business processes.

The presence of function-oriented silos within the retail enterprise is profoundly entrenched. Even within corporate: marketers market, merchants merchandise, planners plan, allocators allocate, loss preventers prevent ... and so on. The silos exist at the store level as well. Criteria that drives and motivates people within one silo is fundamentally different than other silos in the retail organization.

For years, the software industry has put in tremendous efforts to "help" retailers. This aid arrived in the form of point solutions with narrowly defined process and procedural boundaries. Essentially, these solutions were not created to bridge the silos. Consider labor scheduling applications. These applications were "best-in-class" for the goals they had set forth to achieve, such as decreasing payroll costs – however, they did not break down the barriers between corporate and stores.

It's the perfect storm - these point solutions only exacerbate and further insulate the organizational silos. Worse still, each point solution requires more or less the same data, a cancer that exists across all retail IT - the burgeoning complexity of disparate solutions, technologies, and underlying data integration issues that more or less brings IT progress to a coagulated halt.

Happily, there is some new thought leadership associated with the departure from this state, from the organization and process management perspective. Simultaneously, some innovative stuff is happening in the technology sector, offering hope to retailers looking to extricate themselves from silos and connect the dots between people and process.

These are two themes worth exploring in further detail.

First, on the business process front, a wonderful and developing theme is the notion that retailers should organize themselves in concert with success requirements from an integrated organizational perspective traversing the buy side through the sell side. The goal is to arrive at a P&L perspective on a category or line of business that gives complete view to everything associated with product assortment planning, procurement, supply chain, merchandising and marketing through store execution, including labor considerations. The net result is a comprehensive view of sales, gross margin, inventory, labor and true profit contribution visibility across the retail continuum. Many retailers have reached this point, and many more are coming.

It's still a developing theme. Michael Hammer, the original author of [The Reengineering Revolution](#) describes in this month's [Harvard Business Review](#), "redesigning work as business processes that run from end to end across an enterprise leads to radical improvement in performance, but it's terribly tough to manage". Hammer advocates a framework called the Process and Enterprise Maturity Model to help organizations understand the quality and robustness of their process reengineering. We believe these approaches can be paired with new technology innovations to further enhance their effectiveness.

As software developers, we have become obsessed with the opportunity to use these new technologies to combat organizational and technology disintegration. On one side of our business, where we work with portal and workflow solutions, we have for years been providing a lot of value to retailers trying to traverse the silos from corporate to store. A few years ago, we discovered the opportunity to abandon more proprietary techniques in favor of rigorous open standards that support process definition.

A new generation of technology exists in the form of workflow that can support process definition and the creation of software solutions that bring together disparate data, information and people across traditional boundaries. It's been embraced by open standards, lifting it from the realm of proprietary workflow unique to individual solutions, in favor of pervasive workflow across multiple solutions - a critical distinction.

The standard, XPDL, is an open standards approach to process management. Importantly, it is process control for the retailer, not proprietary stuff from a software vendor. The retailer can take advantage of these types of standards and deploy workflow engines that allow the integration of disparate systems and data across people from corporate through stores.

This is really a breakthrough in how applications are created and implemented. Workflows are created, can be changed, almost at will, and any user, based on security permissions, can access and initiate a process on demand. At any moment in time, hundreds or thousands of processes are executing, are visible to the organization, can be viewed from multiple perspectives, and can be modulated to improve overall efficiency. This is truly the amalgam between technology and organizational process improvement.

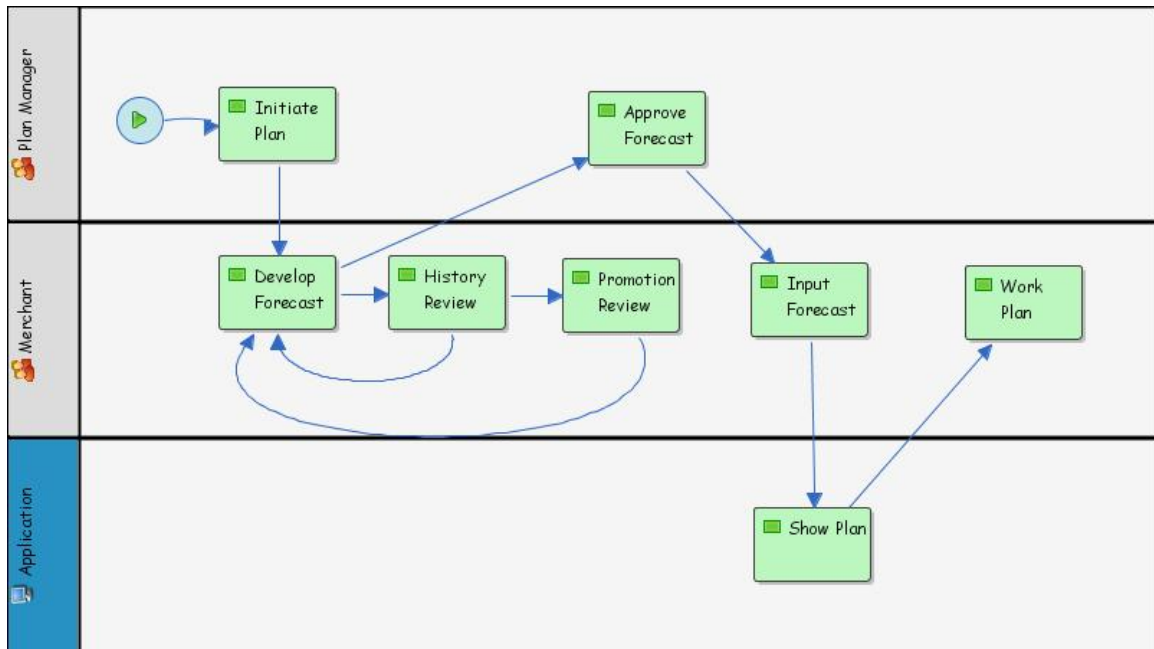


Figure 1: Manually-Driven Pre-Season Forecast Process

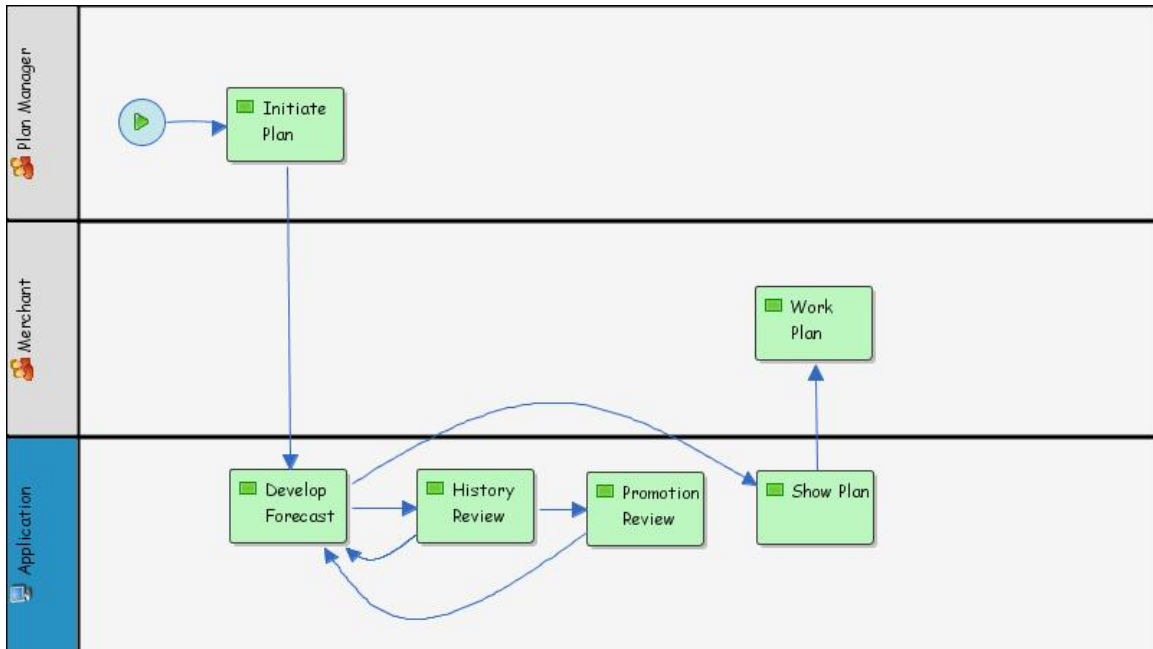


Figure 2: Technology-Driven Pre-Season Forecast Process

The former chart illustrates developing a pre-season forecast manually. As retailers adopt new technologies to augment or replace formerly manual processes, there is a need for inherent flexibility in established workflow to refrain from disrupting the other process elements and promoting ease as the user decides to add or subtract process tasks, as exemplified in the latter chart.

The charts above show what industry-standard process flows look like. It is similar to Visio or other process modeling tools, but the similarities stop there. Here, each of these boxes represents an entity or task performed by user or the system. But each box also links to process logic, provided by the computer or perhaps a step in the process flow provided by the user, user interface to support the process, and any data required to support the process can be brought in from any of the retailers existing systems.

It's important to appreciate the flexibility of this approach. Unlike traditional software, this workflow process supports change and innovation almost at will. For example, an approval process can be added to the workflow above simply by dropping another box in, connecting it to one of the steps, adding some logic to, for example, send e-mail notification to an appropriate user that an approval is required, and providing a simple form. This is contrary to the inflexibility most of us are wary of in large, complex software solutions. The old mantra is "use it off the shelf and don't change it". Now, retailers can articulate strong process policy directly connected to execution.

The other exciting dimension involves utilizing existing/legacy information and systems. Most retailers cannot afford the time, tremendous expense and resources associated with the "forklift upgrade" - the massive relocation of systems involved in moving to a new ERP solution. Instead, the workflow/process approach allows information already contained in existing systems to be better leveraged and coordinated with users across the continuum from headquarters to stores.

This is cool stuff. It's also the basis for what we are doing in helping retailers create new generation solutions that are lightweight and add value to their existing investments. In other words, very quick to create and implement - and add value to the business!

While retail organizations and technology are still in a state of transition, retailers need to realize that new thinking and approaches do exist. Take advantage of this and break out of the silos and move to a more connected, collaborative organization. Your bottom line will notice.