Steamship EDP — an oxymoron?

BY THEODORE PRINCE

Supply chain management, once an arcane specialty, has become mainstream.

Supply chain integration is achieved by tightening links among participants in one or more of three dimensions: goods, information and funds. The convergence of computing power and telecommunications into networks is causing traditional middlemen gradually to be removed. Steamship lines that want to avoid becoming strictly commodity suppliers are seeking to move into the logistics wilderness.

Why then have most steamship lines been so unsuccessful with EDP?

In most cases, steamship lines fall into two categories. First, there is the line with a series of legacy systems. These are probably mainframe-based and upward of 20 years old at their core. For years, they probably defined the standard for EDP support. They are confronted with high maintenance expense and major migration efforts. Second, is the line with very little. It may have undertaken a major effort (maybe more) which had to be discarded after millions of dollars.

The former is dying a slow death, the latter is barely breathing. Both seek ways to upgrade without “betting the company.” This is very difficult because funds available for investment are limited.

The problems start with management. Most senior management in the shipping business came of age before widespread computer introduction. They remember obsolete equipment and procedures. They may be online with electronic mail, but the business and technology have radically changed.

Not only are things done differently, there are many different things to do. Often management fails to recognize the scope and scale of transaction volume alone makes using yesterday’s methods disastrous. This oversimplified business view leads to unrealistic expectations.

Often, technology becomes an end rather than a means. Rather than focusing on the business issues inherent in EDP, senior management may become preoccupied with micromanaging matters (i.e., PC vendors, word processing and spreadsheet programs, for instance), which take months to resolve.

This EDP leadership void may be a cultural problem. Companies which believe in general management, continually transferring people between different business groups, functional groups and geographical locations, provide no dedicated EDP career path. The American model is to have EDP specialists, who have spent most of their career in the area.

Although “off-the-shelf” comprehensive systems have universally failed, there is no shortage of vendors seeking to sell them. By using overseas representatives, these vendors are often able to sell systems to companies that traditionally do not have extensive in-house technological expertise and personnel support. These systems do not always work as promised. Often vendors demonstrate less knowledge than they claim to have.

I once listened to a salesman give a pitch, spewing forth all kinds of technical jargon. In a performance reminiscent of Gilbert and Sullivan’s “Modern Major General” aria in “The Pirates of Penzance,” this vendor certainly knew “the scientific names of beings animalcules.”

However, he clearly didn’t understand our business requirements. Nevertheless, the participants making the purchase decision were very impressed and bought the product. It didn’t work.

Limited time and resources, often accompanied by inflexible off-the-shelf programs, is a recipe for disaster. A steamship line buying an off-the-shelf system may have to change its way of doing business to accommodate the new system. Many critical business needs and customer requirements may be sacrificed. The project cycle may become one of “ready, fire, aim.”

Rather than resolving the best way of conducting business, and then designing a system to accommodate these needs, many projects seek to automate existing processes. Computer systems are no substitute for management.

Steamship line EDP capability is now a basic requirement for customers. Since shipping is global, this requirement must also be global. This is difficult for many lines because they have failed to develop global systems. By allowing each country, or region, to pursue their own systems development, a “Tower of Babel” may arise.

Steamship lines have reacted defensively, attempting to introduce the trappings of EDP, rather than a system which will fully accommodate the customer. For example, almost every line has an Internet site. Some lines have developed sophisticated applications that are a value to their customers. Some lines don’t seem to look at it more than every month or so — they cannot even keep it current with press releases.

However, you can be sure that their sales force and advertisements are hyping their Internet capabilities. This is an unfortunate habit of many lines — expending resources to develop an inadequate capability, rather than completing the job in the right manner.

Ultimately, the market will prevail and customers will unmask the EDP charlatans. I believe steamship lines will meet one of two fates. Lines without capabilities will wholesale space to third-party intermediaries, which will provide the EDP value-added; other lines will provide the services and information to their customers. Regardless, it will soon be impossible to distinguish a line’s performance on actual movement from its EDP performance.

Theodore Prince (TedPrince@aoa.com) is a transportation consultant in Richmond, Va. He writes a weekly column for The Journal of Commerce.