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9 Potential SCM Software Challenges and Risks & How to Address Them

 [TEC Team](#) | Jun 2023



As with any enterprise software solution, implementing a supply chain management (SCM) system often comes with various challenges and risks that could prove costly and cause substantial business disruptions. This article from the TEC team lists nine potential challenges of implementing SCM software and how organizations can address, mitigate, or avoid them for smooth and consistent supply chain operations.

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Supply chain management (SCM) software can play an essential part in improving and optimizing supply chain processes. However, with selecting new technology generally comes risk, especially if the proposed changes challenge existing processes and business practices, so organizations should be prepared to address potential hurdles and risks when implementing their SCM software solutions. By understanding and proactively managing these challenges, organizations can ensure a smoother transition and reap the benefits of streamlined supply chain operations.

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Some common challenges organizations may face during the implementation of an SCM software solution include:

1. Complex Implementation Process

One of the main challenges of implementing an SCM software solution is the complexity of the implementation process itself. Organizations must integrate the new solution with

their existing systems, be it enterprise resource planning (ERP), inventory management, or logistics systems. This process often requires significant time, effort, and expertise, so thorough planning and coordination are crucial. Hiring external assistance is also highly recommended, and TEC can provide it, as our [advisory services](#) and 30 years of expertise have helped countless organizations select the [best SCM system](#) for their unique business requirements.

Organizations should begin their digital transformation project by thoroughly assessing their current systems, processes, and data flows. By identifying potential integration points and mapping out the necessary data exchanges, they can streamline the implementation process. It's worth reiterating that engaging experienced implementation partners or consultants can also provide valuable guidance and expertise, and you can better prepare for your software selection project with our [SCM features lists](#), [comparison charts](#), and request for proposal (RFP) [templates](#).

2. Data Integration & Quality



Ensuring seamless data integration and maintaining data quality can be challenging, as it may involve data cleansing, standardization, and resolving inconsistencies across systems.

To keep the supply chain running smoothly and consistently, SCM software solutions

heavily rely on the availability of accurate real-time data from various sources, meaning organizations should establish clear protocols and processes to ensure seamless integration of data from suppliers, production facilities, distribution centers, and other relevant sources.

Discrepancies, inconsistencies, and poor data quality can undermine the reliability of the SCM system and may not guarantee data accuracy or consistency. Address these challenges by performing regular data quality checks and validation and following data governance practices to help maintain data integrity, even when migrating data from your legacy systems to the new SCM solution, as clean, accurate data means accurate insights and decisions.

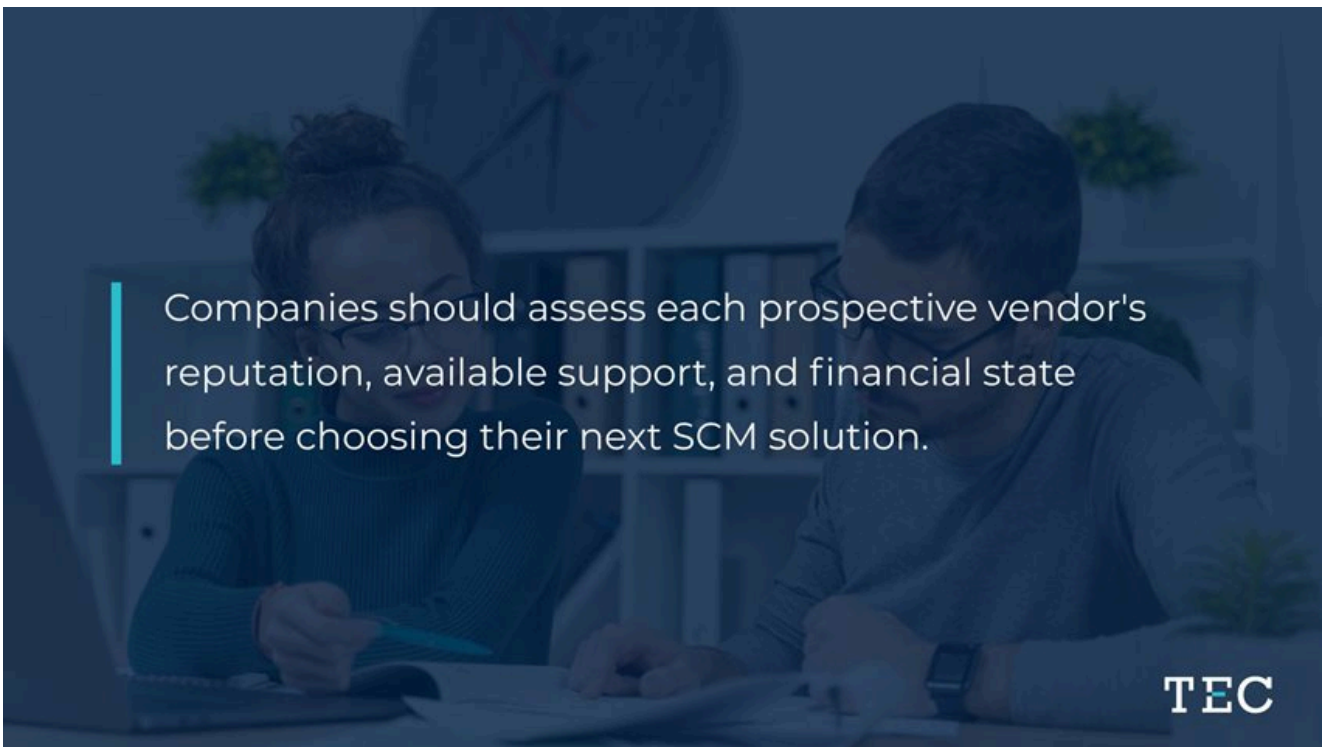
3. Organizational Change Management

Resistance to change and lack of employee buy-in is one of the most difficult challenges organizations face when implementing any new software solution. This can often pose significant risks to successful adoption of an SCM software solution, as it usually requires changes to existing processes, workflows, and roles. Thorough change management strategies, training, and communication are crucial to addressing these challenges.

To mitigate these risks, organizations should emphasize change management from the outset. Clear communication about the benefits and objectives of the SCM software solution is vital. Employees should receive comprehensive training and support to understand the new system and its impact on their roles. Engaging employees in the implementation process through workshops and feedback sessions and encouraging their involvement in decision-making can foster a sense of ownership and reduce resistance among personnel. Other change management tactics include appointing a project champion, preferably someone in the organization with deep technical knowledge about implementing the SCM software solution, communicating the status of the implementation as it unfolds, and creating an online FAQ page for employees to consult.

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4. Vendor Selection & Reliability



Choosing the right SCM software vendor is critical. Organizations should thoroughly evaluate potential vendors for their financial stability, available support, and long-term viability. Assessing the vendor's reputation is essential to mitigating the risk of vendor-related issues, such as limitations regarding support, product discontinuation, or security vulnerabilities.

To minimize these risks, organizations should conduct a rigorous vendor evaluation process. This includes assessing the vendor's track record and requesting customer testimonials. Valuable insights can be gained by engaging with existing customers, conducting reference checks, and consulting TEC's list of [top SCM vendors](#). Additionally, organizations should ensure the vendor offers ongoing support post implementation and/or regular updates and has established a roadmap for future product development or enhancements.

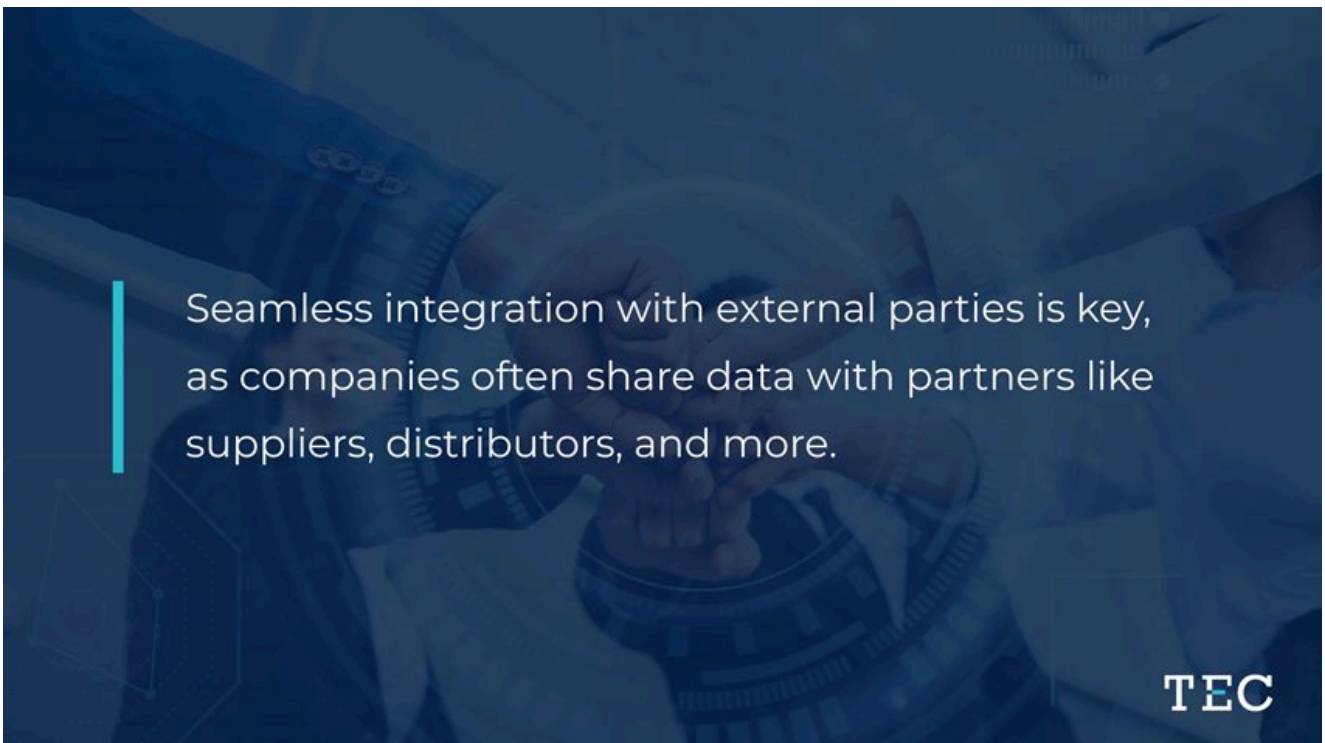
5. Scalability & Flexibility

As organizations grow and evolve, so do their supply chain needs. Selecting an SCM software solution that is scalable and flexible enough to accommodate future requirements is essential. Lack of scalability or the inability to adapt to changing business requirements can lead to inefficiencies and additional unexpected costs.

Organizations should consider their long-term goals and growth projections when

selecting an SCM software solution to address this challenge. Critical evaluation criteria should include scalability, adaptability, and integration with other systems. Working closely with the chosen vendor to understand their product roadmap and future capabilities can also help ensure long-term alignment, and companies in the market for an SCM system should prioritize flexibility and scalability, especially startups and smaller businesses with their sights set on expansion.

6. Integration with External Partners



Supply chains often collaborate with external partners, such as suppliers, manufacturers, distributors, and logistics providers. Ensuring seamless integration and data exchanges with these external entities can be challenging due to differences in systems, data formats, and communication protocols. As a result, compatibility and interoperability should be thoroughly assessed during the SCM software selection process.

Organizations should establish clear communication channels and data exchange protocols to overcome such challenges with their external partners. Embracing industry-standard data formats and communication protocols can simplify integration efforts, while leveraging application programming interfaces (APIs) and electronic data interchange (EDI) can facilitate smoother information flow between systems and parties.

7. Cybersecurity & Data Privacy

SCM software deals with sensitive supply chain data regarding everything from customer information to pricing details to payment information to trade secrets. Protecting this data from cyberthreats, unauthorized access, and data breaches is crucial. Robust cybersecurity measures such as standard encryption of sensitive data, access controls, multi-factor authentication, and compliance with data privacy regulations are necessary to mitigate these risks.

For an added security measure, organizations can also perform periodic automated vulnerability testing, a scan assessing computers, systems, and networks for security weaknesses. High-quality vulnerability scans can search for over 50,000 weak points and are often required to comply with regulations set by the Payment Card Industry (PCI), the Diplomatic Security Service (DSS), the Federal Financial Institutions Examination Council (FFIEC), and the Gramm-Leach-Bliley Act (GLBA).

Depending on the industry and geographical location, supply chain operations may be subject to various regulatory requirements, compliance standards, and data privacy regulations such as General Data Protection Regulation (GDPR) or the California Consumer Privacy Act (CCPA), for instance. Establishing clear data governance policies and training employees on cybersecurity best practices can strengthen the organization's security posture, and naturally, selecting an SCM system with robust cybersecurity and data privacy capabilities is as, if not more integral to that end.

8. Cost & Return on Investment (ROI)



Deployment method, infrastructure, and implementation support are a few of many factors to consider when determining SCM software costs.

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Implementing an SCM software solution involves various upfront costs, such as software licenses, new hardware like servers, storage, networking infrastructure, and implementation services. Ongoing expenses include maintenance, software upgrades, technical support, and training. Furthermore, the preferred deployment model plays a key role in cost control, as on-premise SCM comes at a substantial upfront cost, while cloud-based SCM is often priced on a subscription model, with the price depending on the number of users per month. Whether one chooses on-premise or cloud SCM, conducting a comprehensive cost-benefit analysis to ensure the anticipated ROI justifies the costs is crucial. It's also worth noting that any change management initiatives may incur additional charges, be it communication, training materials, or user adoption workshops.

9. System Downtime & Technical Issues

Like any digital transformation project, SCM software implementation may encounter technical issues, system downtime, or compatibility problems. Specifically, integrating the new SCM solution with existing systems, such as ERP or customer relationship management (CRM), can be intricate and time-consuming, while incompatible data formats, connectivity and network issues, or system dependencies may lead to delays and system downtime.

These issues can disrupt supply chain operations, lead to delays, and impact customer

satisfaction. To mitigate these costly challenges, thorough planning, stakeholder engagement, robust testing, and continuous monitoring are essential. It's also paramount to involve IT professionals, system administrators, and end users in the implementation process to address potential issues swiftly and ensure a smooth transition to the new SCM solution, and establishing a robust, ongoing support and maintenance program with the vendor is essential to minimizing such risks.

Conclusion

Implementing an SCM software solution offers numerous benefits for organizations seeking to optimize their supply chain operations. However, navigating the associated challenges and risks is essential for a successful implementation. Mitigating or addressing the above-mentioned issues begins with selecting the best-fit SCM system for your business' requirements, and you can take advantage of TEC's varied software selection tools before [contacting us](#) for impartial, data-backed support through your SCM evaluation and selection project.

About the Author



TEC Team

TEC is an impartial advisory firm serving the business software community. We're a dedicated team of industry experts with a wide range of backgrounds. Our industry knowledge spans manufacturing, professional services, retail, utilities, distribution, and other ...

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