Mdcm's worsening operating

MDCM's worsening operating and profit margins in the late 1990s as a global corporation led to a revamp of the old corporate strategy since it acquired its first international company in the U. K. in 1987. The new CEO Max McMullen devised ' Horizon 2000' with an enterprise-wide aim of improving its operating and profit margins throughout its seven regional centers managing some seventeen subsidiaries including MDCM U. S. in thirty five locations.

Horizon 2000 has three key business objectives. 1) Achieve cost-efficiencies by implementing a unified brand management strategy which will be managed through a coordinated regional marketing and sales effort. 2) Maximize economies of scale by streamlining the supply chain through aggregate materials purchasing for volume discounts, lesser suppliers for standard prices and better terms, and outsourcing inbound and outbound logistics for better efficiencies in non-core activities.

3) Increase efficiencies by consolidating production facilities through the closure of old manufacturing and design plants, and increasing the capacities of newer and more efficient plants. MDCM is in the business of medical device contract manufacturing. Its reputation and success as a business is succinctly expressed in this motto: " absolute commitment to delivering quality parts and assemblies on time. " MDCM works closely with its customers and benefitted from optimized designs for manufacturability which reduced manufacturing costs.

Thus, the strategic context of MDCM is built on the framework of close and good customer relationships or customer focus, quality parts and assemblies or operational excellence, and just in-time deliveries despite its global reach in seventeen different countries. The high level

InformationTechnologyobjective based on the enterprise-wide corporate aim of improving MDCM's operating and profit margins is to unify information technology initiatives and management on a global scale through standard aims and standards in platform, procurement of systems, and systems development and under one global IT infrastructure.

Based on the strategic context of close and good customer relationships or customer focus, quality parts and assemblies or operational excellence, and just in-time deliveries on a global scale in seventeen different countries, the IT objectives that need to dovetail with the three key business objectives of MDCM are: 1) Identify areas of strengths that can be successfully replicated on a global scale. 2) Identify opportunities with the least risk and highest values to MDCM. 3) Identify areas of improvement in MDCM's pursuit of " absolute commitment to delivering quality parts and assemblies on time.

" In summary, MDCM's successful corporate strategy of close partnerships with its customers has to change its geographical dimension since it has become a global corporation. Decreasing operating and profit margins due to disparate practices, systems, and facilities worldwide need to be addressed through a unified approach in management to achieve cost-efficiencies in marketing and sales; economies of scale in supply procurement, logistics and labor; and efficiencies in production.

This unified approach in management could only be achieved through an enterprise-wide Information Technology strategy that would change the corporate strategy's geographical dimension into an IT dimension where close partnerships with customers can be achieved through faster, more efficient customer information and communications management, higher

quality parts and assemblies, and just in time deliveries. MDCM (B) MDCM needs a staged IT implementation primarily due to limited resources in terms of time and skilled manpower and transition issues in data migration, process standardization and end-user learning curves.

Four stages would be ideal. These are: Stage 1: Establishment of Global IT Infrastructure; Stage 2: Enterprise-wide Rollout of Low-Risk, High-Payoff Projects; Stage 3: Implementation of High-Risk, High-Payoff Projects; and Stage 4: Implementation of Other Priority Projects. Stage 1: Establishment of Global IT Infrastructure. MDCM needs a global IT infrastructure that would unify information technology initiatives and management world-wide through platform, procurement, and development standards.

To achieve this global IT infrastructure, MDCM immediately needs three projects as follows: 1) Consolidate Data Centers and Networks, 2) Improve Collaboration Systems, 3) Unify Methodology and Technical Standards, and 4) Outsource Non-Strategic IT Services. The rationale for this portfolio is to first establish the infrastructure for communications worldwide for a more unified implementation and monitoring of any succeeding IT project in thirty five different locations.

Once the VPN is established and the initial data centers for the email servers have been built, intranets, VoIPs, and virtual conferences can be easily held to immediately communicate IT directives, establish global standards, encourage collaborative learning and troubleshooting of newly implemented enterprise-wide systems, and most importantly serve as the launching pad or the jumping board of succeeding, non-outsourced IT projects for global

roll-out. Moreover, the outsourcing of non-strategic IT resources can leverage on the expertise and resources of the outsourcing companies.

Stage 2: Enterprise-Wide Rollout of Low-Risk, High-Payoff Systems. After Stage 1, MDCM can proceed to this stage to pursue its three key business objectives of achieving cost-efficiencies through a unified brand, maximize economies of scale, and increase production efficiencies. The projects that are needed to achieve these key business objectives are: 1) Implement E-Procurement System; 2) Streamline Design Systems; and 3) Customer Self-Service Portal. The rationale for this portfolio is to immediately establish a track record of success for MDCM.

The Implement E-Procurement System can be easily launched through participation in the existing Ariba Supplier Network since this is no longer a ground up implementation. The Streamline Design Systems Project can easily replicate the success of the U. K. division and hence reduce product development cycle time by 40% worldwide. Since Stage 1 would have been completed by this stage, the Customer Self-Service Portal Project could be implemented with lesser worries about reliability due to the consolidated Data Centers and more reliable VPN. Stage 3: Implementation of High-Risk, High-Payoff Projects.

After Stage 2, this projects portfolio can be implemented since customer orders affect manufacturing supplies and supplies affect production. These data are inter-related with three projects: 1) Begin CRM/Create Data Warehouse; 2) Implement Enterprise Resource Planning; and 3) Manage the Supply Chain. This high-risk, high-payoff portfolio can be better managed with a pilot implementation prior to a global rollout. With the French

implementation of the Begin CRM/Create Data Warehouse Project, the necessity for piloting this project has already been complied with for global rollout.

Moreover, this could practically substitute the geographical dimension of MDCM's corporate strategy of close partnership with its customers with an IT dimension. In addition, since the data centers would have already been consolidated by this stage, the migration of customer data from the different database platforms can now be implemented and used with a data warehouse. With the establishment of the VPN in Stage 1, the long delayed pilot implementation of the ERP Project in the U. S. due to coordination issues would have been resolved.

Hence, The Manage the Supply Chain Project could now proceed. With i2's experience in thousands of supply chain management implementations, the risk for this project would have been minimized at this stage. Stage 4: Implementation of Other Priority Projects. The Create Employee Intranet Portal Project can be considered as a priority project also. The rationale is that human resource administration and other non-core activities can be transferred to low-cost, low-wage countries where MDCM already has a presence.

The only project that should be deferred or not implemented is the Standardize Server Hardware and Platforms Project. The rationale is that MDCM's most successful projects for global rollout are basically software implementations that run on different platforms and servers. Moreover, with the consolidated data centers, the possibility for consolidated application servers also exists for enterprise-wide implementations. Maintenance and

support costs savings for this project are less compared to the benefits, ROI, and potentials of the other projects that have staged implementation portfolios.

The ROI for Stages 1, 2, 3 and 4 will now be detailed. Stage 1 ROI: $1. 1 Million plus internationalcommunicationexpenses savings, international travel expenses savings of IT personnel for global rollout of projects, savings from outsourcing, and skill set gains from personnel and time savings due to reduced international travel. Estimated reduction in 2001 restructuring cost of 10% or $8. 2 Million for a total of $9. 3 Million in savings.

Stage 2 ROI: costs savings due to bulk purchases at an estimated reduction in 2001 cost of goods sold of 5% or $88. 4 Million, 40% gain in product development cycle time worldwide and 100% productivity gain of marketing and sales personnel at an estimated 10% gain in 2001 net sales or $432. 9 Million. Stage 3 ROI: improved marketleadershipdue to CRM implementation, just in time deliveries resulting in reduced supply inventories and more efficient production. The dollar value ROI in this stage is incalculable. Stage 4 ROI: savings from outsourcing of HR functions to low-wage locations at an estimated 2% reduction in 2001 operating expenses or $44. 8 Million.