Cvs pharmacy

CVS/pharmacy (commonly known as CVS) is one of the largest pharmacy chains in the United States, with approximately 6, 800 stores across 41 states. Apart from selling prescription drugs, they also sell over-the counter drugs, beauty products, film/photoservices, greeting cards, etc. MinuteClinic healthcare clinics andDiabetesCare Centers mostly located within CVS stores provide healthcare services. This project has been undertaken by CVS to implement a SAP system for Supply Chain Management that will cover purchase, inventory management, supplier management and logistics.

As soon as orders are generated they will be marked for specific suppliers, if they have been pre-selected, or the system will project best possible suppliers based on their previous records of dealing with the company. This will help the company collaborate with specific suppliers over a period of time to develop a supply chain that will react automatically to demands and will prepare itself for service and delivery according to projections.

The suppliers can be included in the module by offering them limited access to areas of information that helps them to plan their own activities related to CVS. Such collaborations will help in cost reductions and maintenance of targets and timelines across various partners. This can also include logistic companies, third party suppliers who can also organize their own warehousing etc to create an efficient network aimed at cost reduction, quality improvement and lower working capital requirements resulting from better inventory management.

The benefits of implementing this system are many. First, the new system will help increase CVS's customer service and as a result it will help increase sales, especially online purchases. The system will help the company ship

products on time; it will also reduce the time between orders and shipments and costs associated with the expediting shipments. Second, the new system is expected to reduce inventory expenses. The new system will allow CVS manage inventory more efficiently, allow better planning and scheduling, which will also reduce inventories.

Third, the new system will increase operational efficiency. Other cost savings include savings from streamlined processes, savings from reduced reimbursements to customers who have received unacceptable products, improved cash flow, and an increase in labor productivity. Cost of the ERP and Implementation Enterprise wide deployment of SAP will be costly and for CVS it may reach a figure of over $ 500 million spread over a five year period. As of 2008, CVS ranked 24th on the list of Fortune 500 companies grossing approximately $80 billion in annual revenue with annual income of over $ 2.

6 billion. It has with approximately 6, 800 pharmacy stores and all will need to be connected eventually to the central system. As of date it employs 190, 000 persons. An average of 3 users at each store will be required to be trained and at the head office there may be over 100 users. The license costs of the ERP will certainly be close to $200 million and Implementation and training will cost around $ 300 million. Of course there can be cost overruns if the timeline is extended or more user training is scheduled or when more branches are added.

The roll-out plan will follow the procedures as per schedule to be worked out with SAP. However a broad description of the work is being discussed below. Business Change Issues Most Implementation failures happen due to

absence of planned change management. This must be the top priority of the company. Every change is resisted more out of misconception rather than the actual ground difficulties. These have to be handled by the management in a carefully designed approach. A change plan must include the topleadershipas it is they who will have to inspire the workforce and to ensure that smooth transition takes place.

This the most important issue in Implementation and if change policies are not in place the entire Implementation will fail. Adoption of new work processes brings about a huge change in the organization and it needs to be carefully managed. Installing and implementing a system will certainly change the entire working practices and will affect every individual and department. A change of this magnitude requires three kinds of strategies to mange successful change. They can be categorized as Organizational Strategies, Technical Strategies and People Strategies.

Organizational strategy covers the area of developing a change strategy and its deployment, change management techniques, project management, changing Organizational structures as well as resources, modifying managerial style and thinking, bringing about co-ordination and emphasizing on Information Technologies (Al-Mashari and Zairi 2000). Technical strategies will comprise of Installation of enterprise solutions, understanding and explaining of the complexities, arranging in-house technical capability besides managing the time and cost of this exercise (Sarker and Sarker, 2000).

People strategies would mean training of staff including management of their attitudes and behavior (Gable and Stewart 1999). The management will need

to formulate above strategies, as the Implementation teams are not totally equipped to strategize the adoption of change policies. Normally there is resistance towards the software as it is perceived to be a risk by users and some of them feel it would eventually displace them or at least reduce their importance in the organization. They are also used to their style of functioning and they considered it to be superior over the new system.

The two biggest causes offailureare the spreading of rumors or circulation of wrong information. Mostly the sources of these are the outsiders and also a result ofcommunicationfailure on part of the management. This has been highlighted by Larry Smeltzer (1991) who goes on to say that the worst kind of communication is a lean one which uses a memo as the means of conveying instruction or information. This is too cold and impersonal. They emphasize the importance of face-to-face meetings, the personal touch being vital and convincing between the Change Managers and the employees.