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Dynamic Supply Chain Management Leading the Recovery

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CILT Eastern Section Seminar

Dynamic Supply Chain Management Leading the Recovery



Supply Chain Management
Centre of Excellence

Edward Sweeney, FCILT
Director of Learning, NITL

September 2010

Agenda

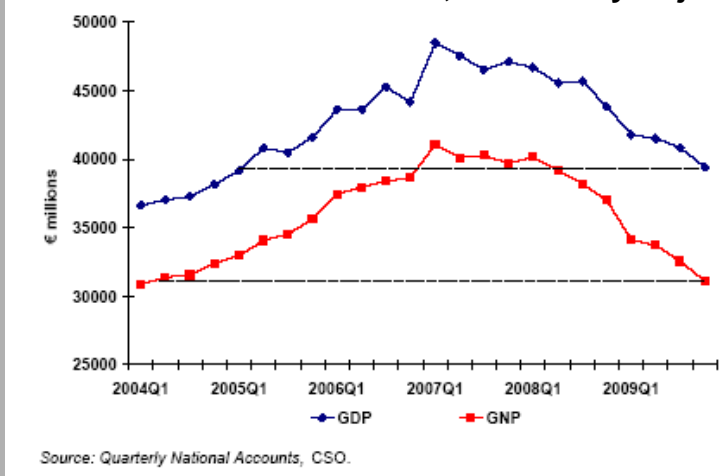
- **Context: Economic; SCM Landscape; Ireland**
- **SCM: Integration and Alignment**
- **Theory and Practice?**
- **Some Concluding Comments**

Agenda

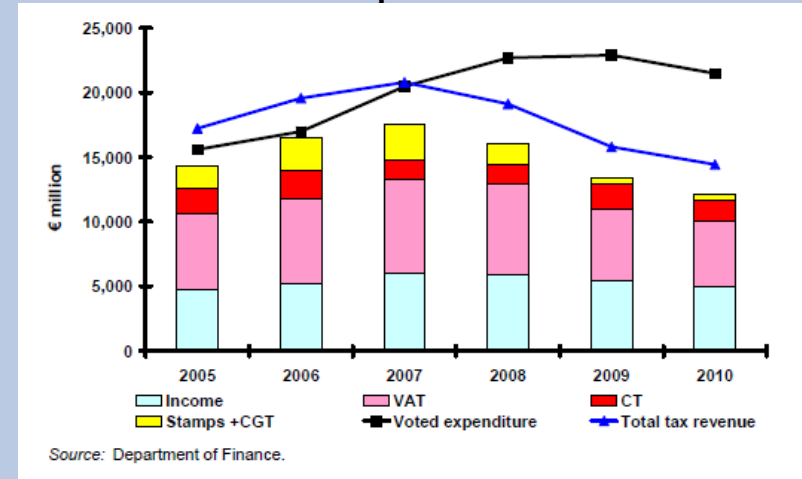
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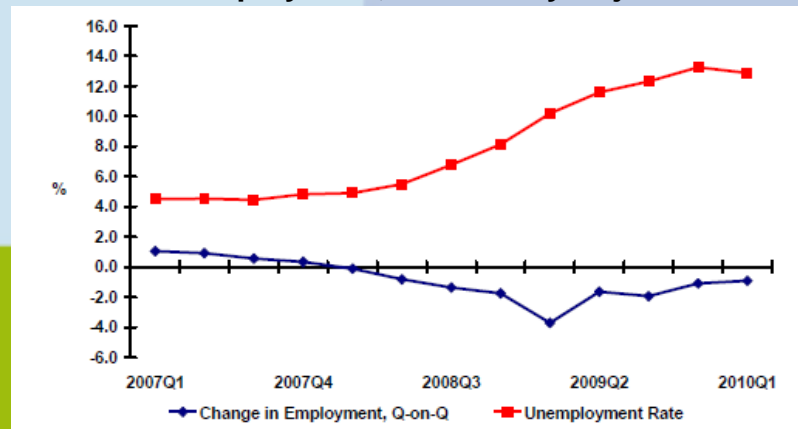
GDP and GNP at Current Prices, Seasonally Adjusted



Exchequer Returns

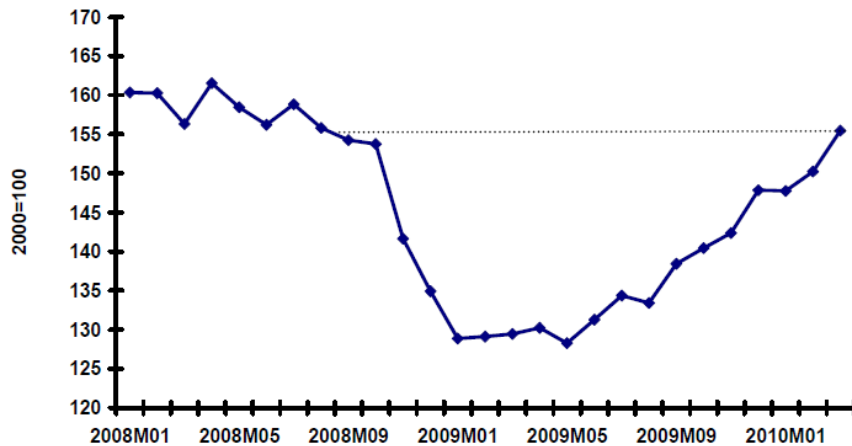


Unemployment Rate and Quarter-on-Quarter % Change In Employment, Seasonally Adjusted



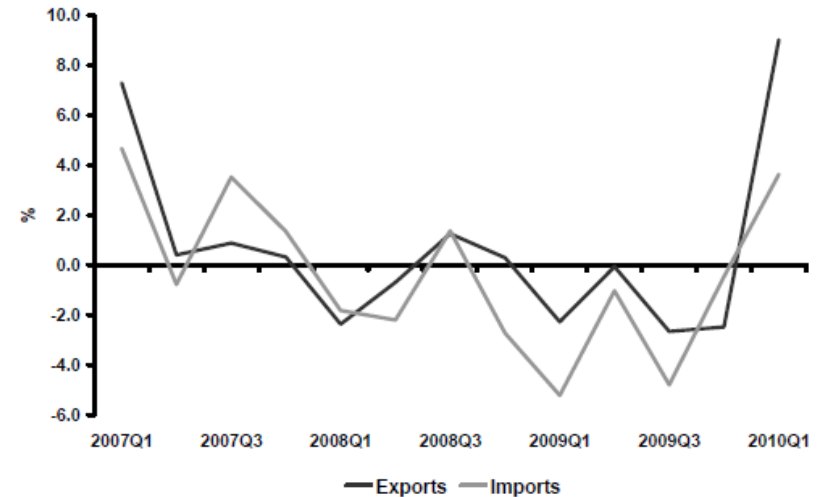
Context: *Economic*; SCM Landscape; Ireland

Index of World Trade



Source: World Trade Monitor, Centraal Planbureau (The Netherlands).

Exports and Imports, Volume Growth Rates Annualised



Source: Quarterly National Accounts, CSO

Context: Economic; *SCM Landscape*; Ireland

- Internationalisation (or globalisation) of supply chains
- Outsourcing and vertical disintegration
- Hyper-competition: more sophisticated markets; more discerning customers; more industries

Changing role of the SC in strategic differentiation



Context: Economic; *SCM Landscape;* *Ireland*

- Potential operational benefits (supply chain economics and customer service)
- Open economy (imports/exports proportion of GDP)
- Peripherality: transport only one element of cost, therefore location not a significant disadvantage
- Relatively small companies can be a part of a global supply chain
- Can manage ‘virtual’ supply chains from Ireland



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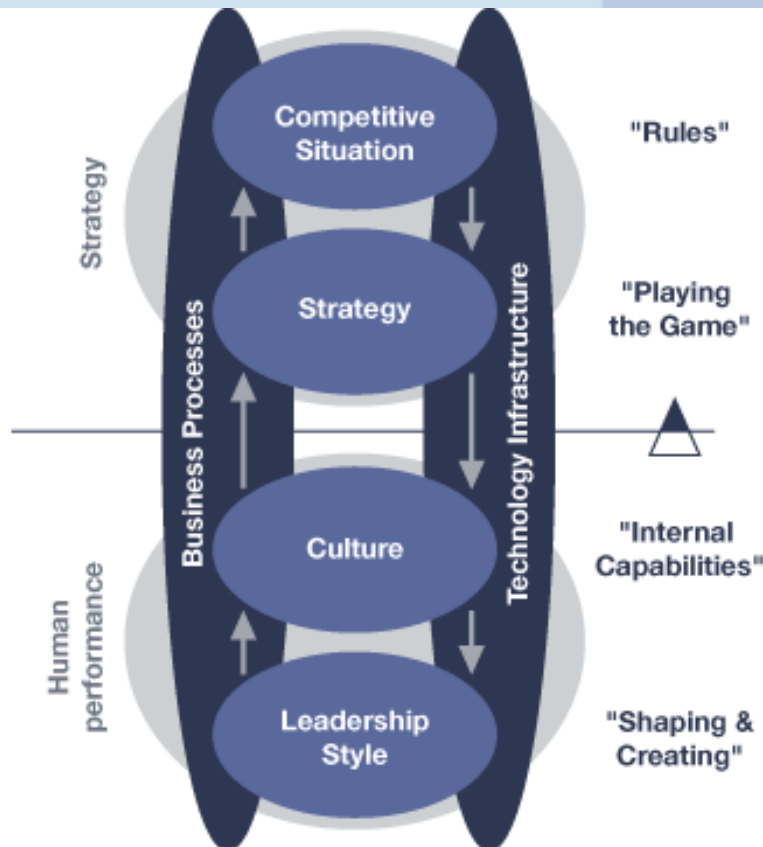
SCM: Integration and Alignment

- SCM concept originally introduced by management consultants in the early 1980s (Oliver and Webber, 1982)
- Significant and growing interest in business, academia and professional bodies
- Strong emphasis on the concept of inter-firm and intra-firm *integration* of supply chain activities in SCM academic literature
- *Integration* of supply chain activities and information because *many supply chain NVAs are caused by fragmented supply chain configurations*

Integration: SCM's 'Big Idea'

- Storey et al. (2006) in their discussion of the interlocking ideas and propositions of SCM declare that, *“the central underpinning ideas relate to alignment and integration”*
- Pagell (2004) declares that *“in its essence the entire concept of SCM is really predicated on integration”*
- Internal ('buy-make-move-store-sell')
- External ('intra-firm')

SCM: Integration and Alignment



Underlying logic

- An organisation must be aligned with its operating environment

Usefulness

- Shows the interaction between customers' needs, the formulation of appropriate strategic responses, and the successful execution of these strategies by shaping the necessary internal capabilities and corresponding leadership styles

Prerequisite

- Understanding of the customers' fundamental needs and buying behaviours that ultimately drive sales, revenues, and profit

Source: www.johngattorna.com

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Theory and Practice?

Forrester in the *Harvard Business Review* in 1958 stated that:

“Management is on the verge of a major breakthrough in understanding how industrial company success depends on the interactions between the flows of information, materials, money, manpower, and capital equipment.”

Theory and Practice?

- **SCM is a sound concept but turning the idea into practice is not easy and that it has so far received more lip service than accomplishment, except in a few leading edge companies (Leenders et al., 2002)**
- **Practitioners are far from mastering SCM (Chen and Paulraj, 2004)**
- **Anecdotally, the SCM literature appears to be concentrated in a handful of industry sectors - examples to illustrate SCM concepts are mostly chosen from industries such as consumer goods retailing, computer assembling and automobile manufacturing (Burgess et al., 2006).**
- **Our research found very few examples of 'end to end' SCM (Storey et al., 2006)**



Theory and Practice?

Supply chain integration improves performance: the Emperor's new suit?

Supply chain
integration

835

Nathalie Fabbe-Costes

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Université de la Méditerranée-Aix-Marseille II,
Aix-en-Provence Cedex, France, and*

Marianne Jahre

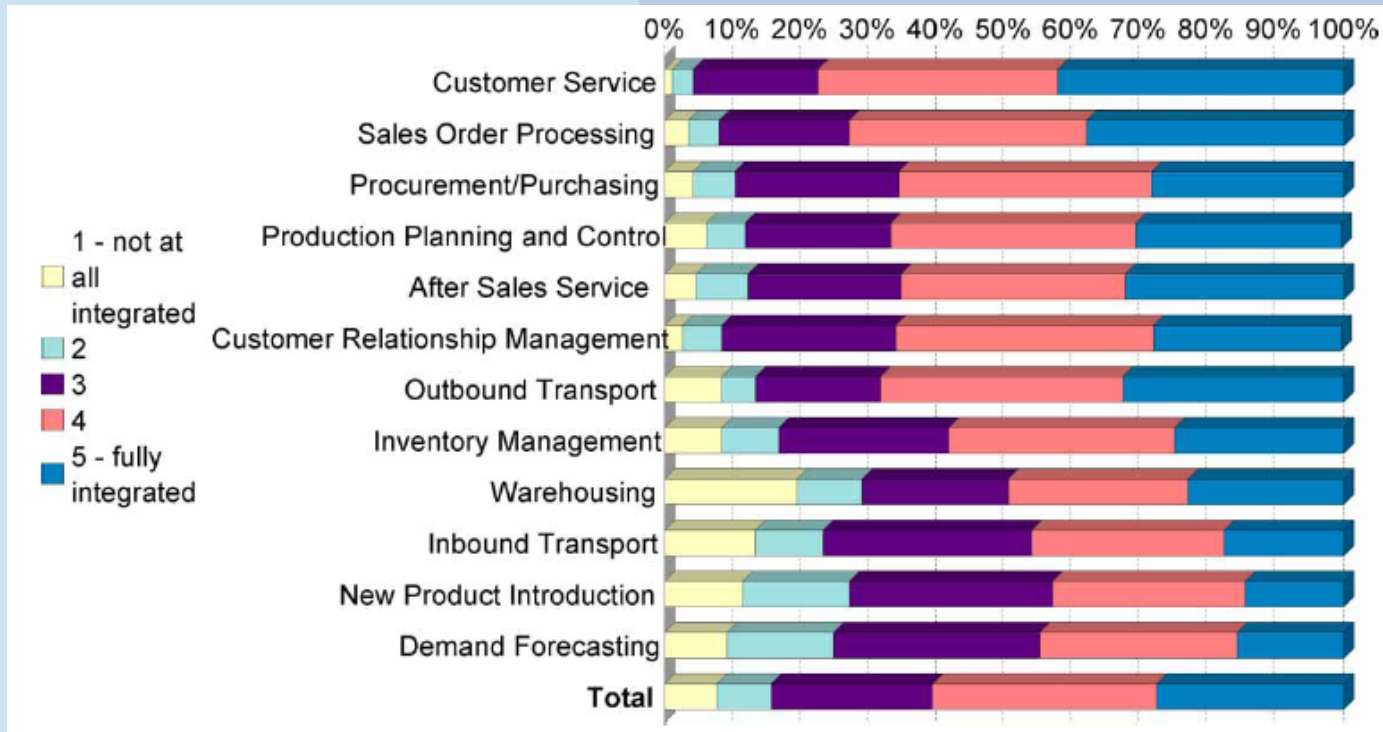
*Department of Strategy and Logistics,
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We can confirm that integration is more rhetoric than reality, that it might be more difficult in practice than in theory (Fabbe-Costes and Jahre, 2007)



Theory and Practice: How Does Ireland Measure Up?

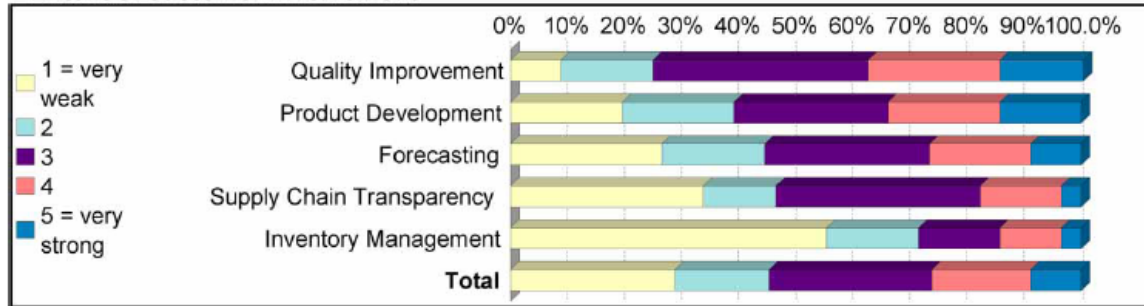
Perceived Integration of Supply Chain Activities



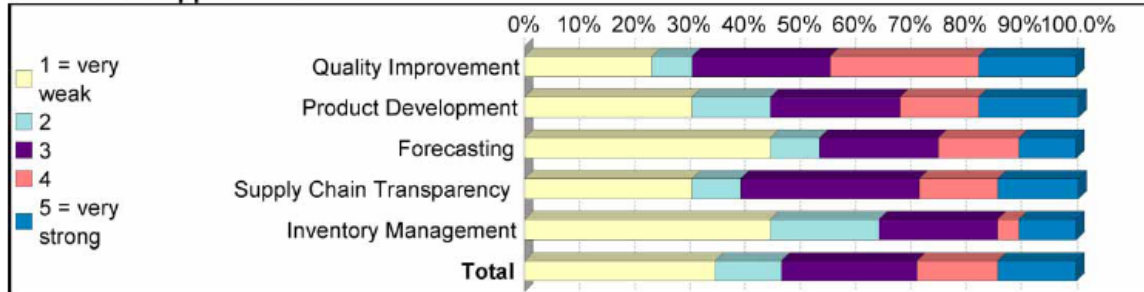
Theory and Practice: How Does Ireland Measure Up?

Extent of customer and supplier involvement in supply chain activities

Extent of customer involvement



Extent of supplier involvement



Theory and Practice?

“while there is an emerging body of theory which ostensibly offers a relatively coherent and compelling prescriptive narrative, predominant practice is at considerable odds with this conceptualisation” (Storey et al., 2006)

Why? Barriers to SCM Excellence?

Some Barriers to SCM Excellence

- Inefficiencies are often built into the supply chain
- Communication structures ineffective and exchange of information poor
- Culture inappropriate
- Excessive reliance on forecasting and stockholding
- Managing problems, rather than eliminating their causes

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Some Concluding Comments

- **Stabalisation of fiscal situation and repairing the banking sector**
- **Export-driven growth: value creation**
- **SCM has a key role to play in this: customer service and cost**
- **Integration and alignment are central elements**
- **Standing still = falling behind**
- **Innovation in all aspects is the key to survival**
- **Knowledge-intensive: the role of people and education**

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