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Competitive Challenges, Chain Reactions

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Competitive Challenges, Chain Reactions:
Towards an Integrated Approach to Supply Chain Re-engineering

Competitive Challenges, Chain Reactions: Towards an Integrated Approach to Supply Chain Re-engineering

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Waterford, January 2007

Agenda

- **NITL**
- **Context**
- **Characteristics of SCM excellence**
- **How do Irish companies measure up?**
- **SC re-engineering**
- **Concluding comments**

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History of NITL

- **Report "World Class to Serve the World"**
- **April 1998**
- **National Centre for Supply Chain Excellence**
- **Supported by National Development Plan**
- **Managed by the Department of Enterprise, Trade and Employment**
- **Through Enterprise Ireland**
- **Based at the DIT**

NITL Structure and Activities

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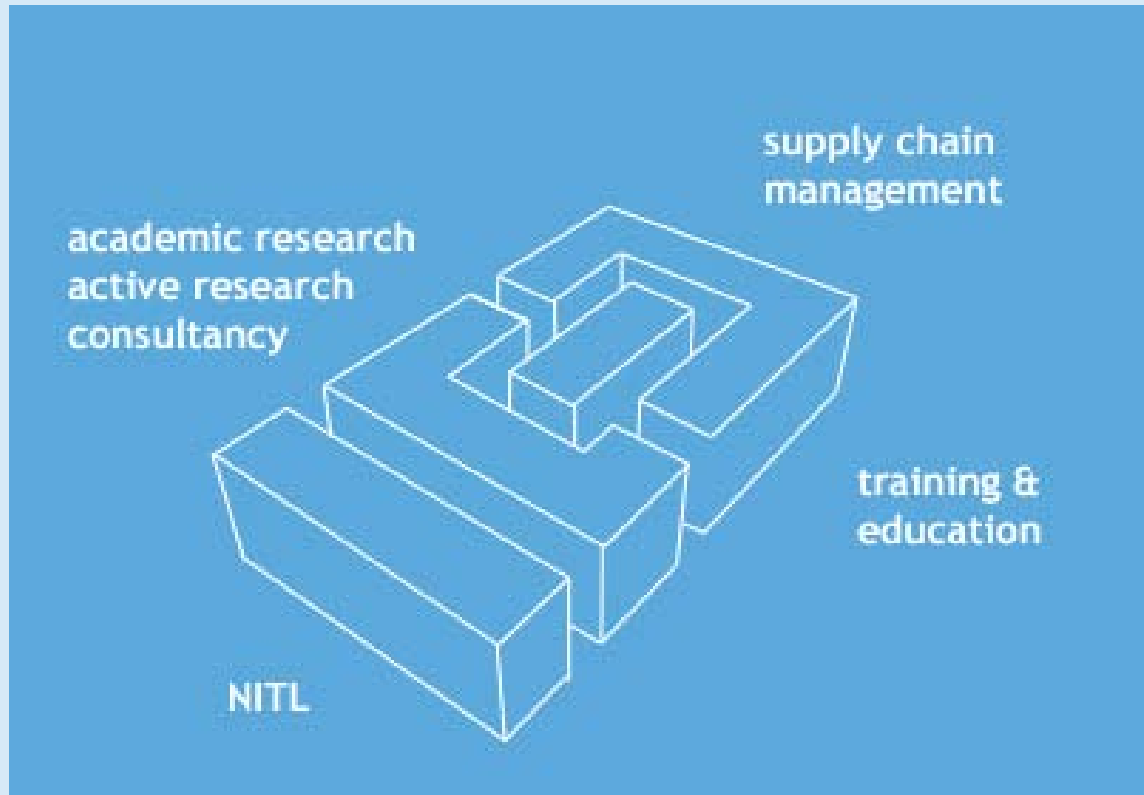- **SC re-engineering**
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The Evolving Strategic Context

- **Internationalisation (or globalisation) of supply chains**
- **Vertical disintegration**
- **Changing role of the SC in strategic differentiation**

The Irish Context: importance of SCM

- **Potential operational benefits (supply chain economics and customer service)**
- **Open economy (imports/exports proportion of GDP)**
- **Transport only one, and not most important cost, therefore location not a significant disadvantage**
- **Relatively small companies often part of a global supply chain**
- **Can manage 'virtual' supply chains from Ireland**

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Characteristics of SCM Excellence

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- **Identification and measurement of customer service**

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- **SCM a senior management function because *SCM is a strategic activity***

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- **SCM a senior management function because** *SCM is a strategic activity*

- **Establishment and measurement of supply chain KPI's because** *what gets measured gets done!*

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How Do Irish Companies Measure Up?

- **NITL SCM Barometer 2004/5**
- **Conducted by MORI on behalf of NITL**
- **Survey of 1073 companies on the island of Ireland**
- **Approximately 75% ROI; 25% NI**
- **Approximately 75% indigenous; 25% MNC**

(Source: NITL Supply Chain Barometer, 2005)

How Do Irish Companies Measure Up?

- **57% do not measure customer service formally and those which do not have very limited measurements**

- **Companies score low in relation to having the latest supply chain IT and having them integrated internally and across the supply chain (one in five)**

- **8.5% have a formal SCM/logistics position**

- **Few companies had clearly defined SCM KPI's (e.g. 58% do not know their supply chain costs)**

(Source: NITL Supply Chain Barometer, 2005)

How Do Irish Companies Measure Up?

- **Overall: SCM positively related to overall company performance**

- **Pockets of SCM excellence but much room for improvement**

- **Excellent or good SCM practice: <10%; Reasonable: ~30%; yet to establish SCM programme: ~60%**

- **Large MNC vs. Indigenous SME**

- **Future plans?**

(Source: NITL Supply Chain Barometer, 2005)

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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Re-engineering Supply Chains

- **Re-engineering = analysing + planning improvement + implementing improvement**

- **There is no "magic" solution**

- **Beware of copying inappropriate solutions**

- **BUT!**

- **There is a logical and systematic way of addressing the issue**

Understanding Customer Service
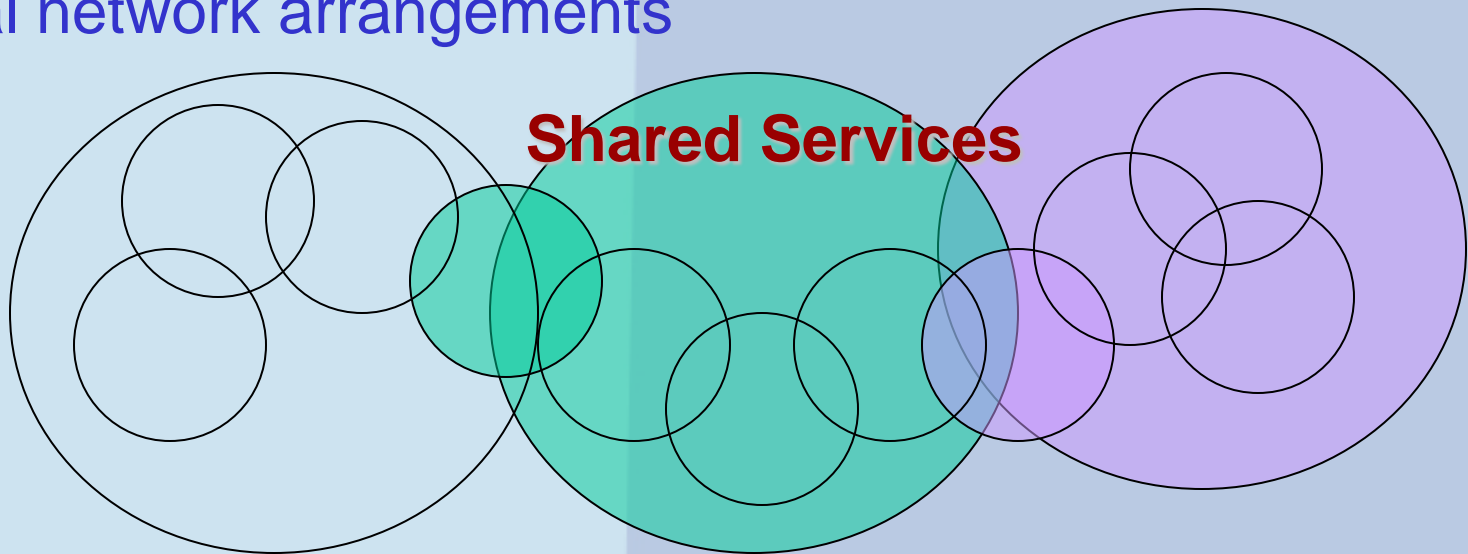
Market Driven Customer Service Strategy

Performance Specification for Integrated Supply Chain Management

The basis of effective re-engineering and change

Supply Chain Organisation

The organisational shape of the future?

Internal network arrangements

Shared Services

External network arrangements

Think process and effectiveness NOT function and efficiency

Technology: the great enabler?

- **Key role as an integration enabler**
- **Piecemeal and tactical approach to integration and to IT/IS development**
- **Multiple standards, processes and platforms**
  - **Internally**
  - **Across the supply chain**

Does IT Matter?
Information Enablers and Drivers

Most IT solutions are no longer likely to provide strategic advantage, but simply the business basics (*IT is imitable*)

The competitive advantage for companies will originate from developing creative information technology strategies and implementing them superbly
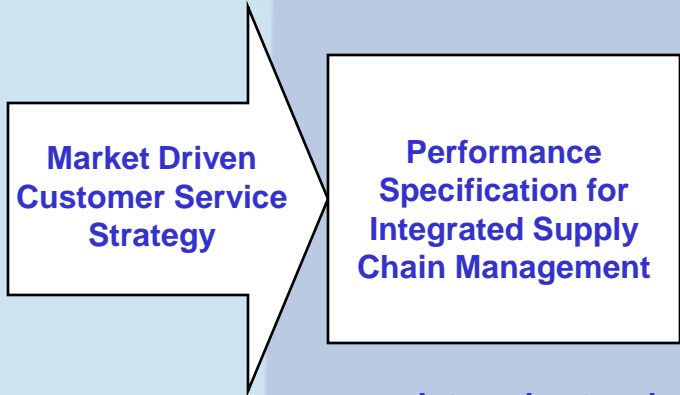
Focus on process and people NOT on systems and hardware

Supply Chain KPIs in World Class Companies

- **relates to company strategy (and stakeholders)**

- **incorporates non-financial measures**

- **limit the number of measures**

- **measures change over time**

- **measures simple and easy to use**

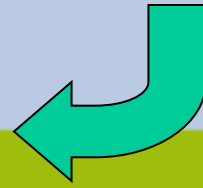- **fast feedback to staff**
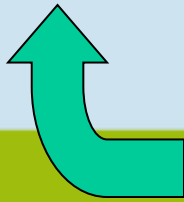
- **"learning" experience**

KPIs: the only rational basis for continuous improvement

Towards A Supply Chain Re-engineering Roadmap

Market Driven Customer Service Strategy

Performance Specification for Integrated Supply Chain Management

Internal network arrangements

The only rational basis for continuous improvement

Integrated SC Process KPIs

Think process and effectiveness

External network arrangements

Focus on process and people

Development and implementation of creative ICT strategies

Cultural Capability
Change Management

Prerequisites for change

Prerequisite One: - Pressure for Change

Prerequisite Two: - Clear Vision for Change

Prerequisite Three: - Capacity for Change

Prerequisite Four: - First-up Actions

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Final Thoughts for the Day

- **Standing still = falling behind**
- **Innovation in all aspects is the key to survival**
- **Remember that most innovation is a series of small steps**
- **Re-engineering must focus on service delivery, integration, organisation and performance measurement**
- **People and learning are critical success factors**