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Why You Need to Think Supply Chain Management

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**University of Naples “Parthenope”
Graduation Ceremony 2004**



**Pan-European Logistics and SCM
Challenges:
Towards an Integrated Approach to Supply Chain
Re-engineering**

Edward Sweeney, Director of Learning

Agenda

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

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

Characteristics of SCM Excellence

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

How Do Irish Companies Measure Up?

- Approximately 50% measure customer service formally and those have very limited measurements
- Companies score low in relation to having the latest supply chain IT and having them integrated across the supply chain
- Less than 10% have a formal SCM position
- Few companies had clearly defined SCM KPI's

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**

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

A diagram consisting of two white boxes with black outlines. The left box is a large arrow pointing to the right, containing the text 'Market Driven Customer Service Strategy'. The right box is a rectangle containing the text 'Performance Specification for Integrated Supply Chain Management'. The arrow points from the left box to the right box, indicating a causal or sequential relationship.

**Market Driven
Customer
Service
Strategy**

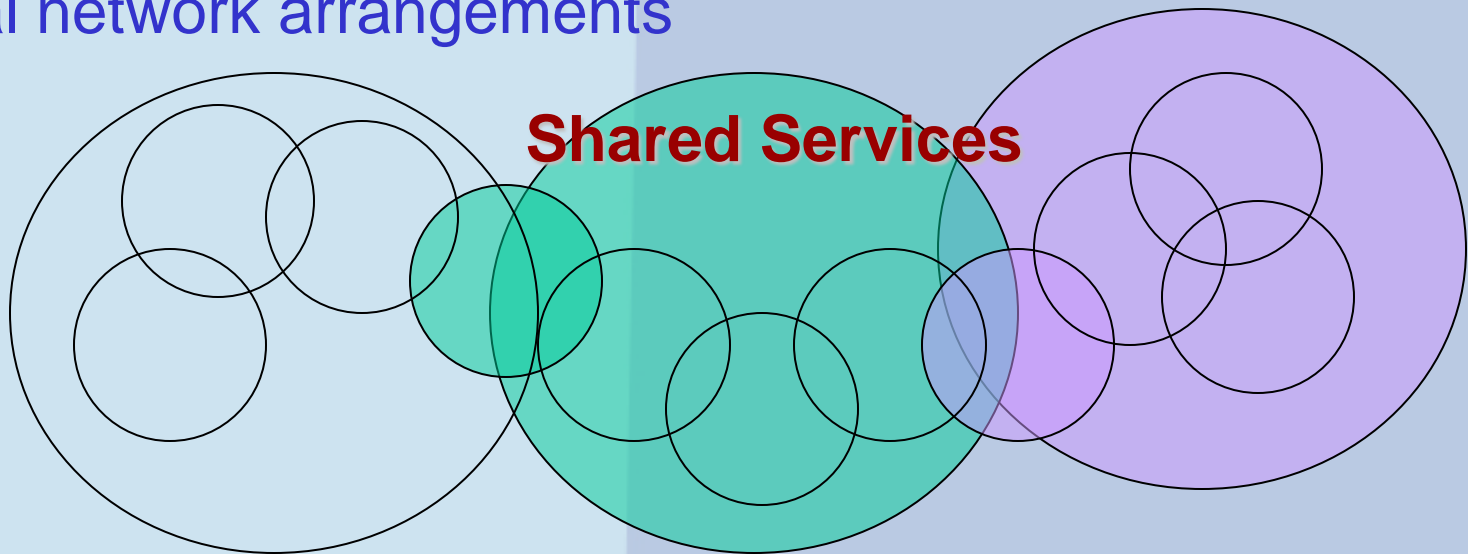
**Performance
Specification for
Integrated Supply
Chain Management**

The basis of effective re-engineering and change

Supply Chain Organisation

The organisational shape of the future?

Internal network arrangements



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

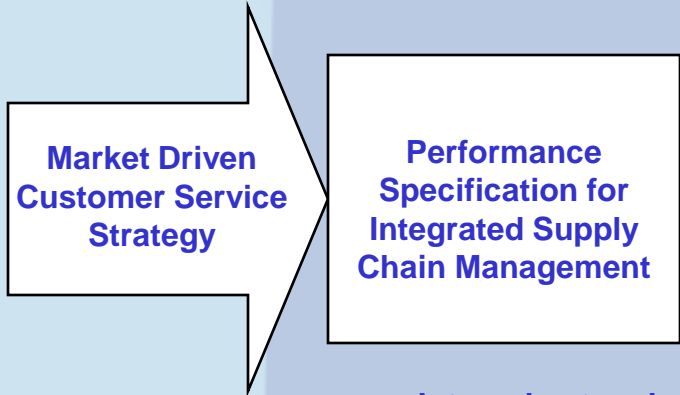
Focus on process and people NOT on systems and hardware

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

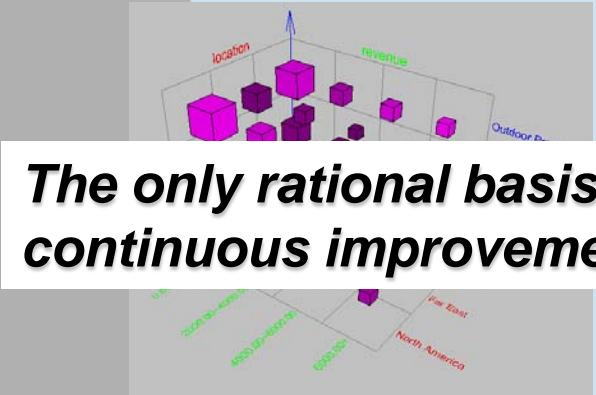
Towards A Supply Chain Re-engineering Roadmap



Internal network arrangements

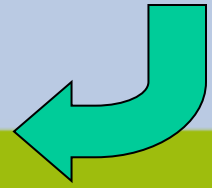
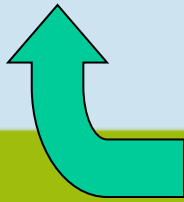


External network arrangements



The only rational basis for continuous improvement

Focus on process and people



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

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**