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## Introduction to Perspectives on Supply Chain Management and Logistics - Creating Competitive Organisations in the 21st Century

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# 1

## Introduction

EDWARD SWEENEY

### BACKGROUND AND RATIONALE

The book's title *Perspectives on Supply Chain Management and Logistics: Creating Competitive Organisations in the 21st Century* reflects a number of important facts. Firstly, the focus of this book is on *competitiveness*. The fact that failing to implement appropriate change inevitably results in a decline in the relative competitive strength of organisations (i.e. that 'standing still' equals 'falling behind') underpins the focus of the constituent chapters. In a rapidly changing economic and business environment, innovation is the key to ensuring that competitive strength is sustained and built upon. The late 20th century saw significant changes in the structure of the world economy and brought with it new challenges in all aspects of business and operations management. The trend towards globalisation of enterprise is likely to continue into the 21st century and beyond. Supply chain management (SCM), with its focus on achieving the service levels demanded by markets and on optimising of total supply chain cost and investment, has a potentially pivotal role to play in addressing these challenges. For this reason this book focuses on the strategic role of SCM and logistics in building the capability necessary to succeed in today's challenging environment. The management of operational challenge and improvement is of course critical but cannot be meaningfully addressed in the absence of clarity in relation to the wider business environment and strategic dimension.<sup>1</sup> As noted in Chapter 4, against a background of increasingly rapid and at times discontinuous change, we need to consider

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<sup>1</sup>A second book is currently under production. Its focus is on the achievement of operational excellence in SCM. It deals in detail with issues such as production and operations management, warehousing and inventory management, transport and distribution management, the people dimension of SCM and supply chain operations' improvement tools and methodologies.

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the broader value of SCM in creating a *differentiated business model* that determines competitive advantage in the judgement of customers.

SCM: CONTEXT, DEFINITION AND THE STRATEGIC AND  
FINANCIAL DIMENSIONS

Section 1 (Chapters 2 to 5) sets out the overall strategic and financial context of SCM. The key question is: *How can organisations use SCM to build sustainable competitive capability in the evolving business environment?* To answer this question one must appreciate the major changes occurring in the competitive landscape. This is the focus of Chapter 2. In particular, the trend towards globalisation of business, vertical disintegration of enterprises and changing perspectives on the strategic role of SCM, form the basis of this analysis. This sets the context for the historical overview and detailed definitions of SCM which follow in Chapter 3 (Part A). A definition, known as the *Four Fundamentals* of SCM, which has been used as the basis for much of NITL's work in recent years, is detailed in Part B of Chapter 3. Part C goes on to discuss the role of logistics as an element of SCM, which is first and foremost a strategic issue. Chapter 4 sets out the essence of business strategy and strategic management, and the role of SCM in the development of a business. SCM is ultimately concerned with improving shareholder value. The financial dimension is, therefore, central to fully understanding the subject. Chapter 5 introduces financial management in the supply chain, with a particular focus on the role of SCM in improving enterprise profitability and cash flow performance.

THE CUSTOMER PERSPECTIVE

Section 2 (Chapters 6 to 8) recognises that SCM starts and finishes with the customer. Marketing, the subject of Chapter 6, is concerned with identifying and satisfying customer requirements profitably. Its role should be considered, therefore, as complementary to that of SCM. Traditionally, both in theory and practice, the two subjects have been dealt with separately. This is clearly untenable, given that they effectively represent two sides of the same coin. The focus of this chapter is very much on the interface between them. A detailed understanding of customer service requirements in different market segments effectively sets the specification for supply chain design. Chapter 7 builds on the introduction to customer service provided in Chapter 3. It examines all major aspects of the subject, while Chapter 8 demonstrates how this understanding can then be used as the basis for effective supply chain improvement.

## Introduction

### THE SUPPLIER PERSPECTIVE

Following the discussion of the customer dimension (the ‘sell’ end of the supply chain), Section 3 (Chapters 9 to 11) then goes on to examine the supplier dimension (the ‘buy’ end). Much of what is now referred to under the umbrella of SCM has its origins in this area. Paradoxically, there is a view that the more important purchasing and supply issues are seen to be, the less they can be managed solely within a tightly demarcated department. In this context, purchasing and supply matters become a wider supply chain concern and a critical component of effective SCM. Chapter 9 focuses on some of the strategic issues associated with the outsourcing of key elements of supply chain functionality. Chapter 10 examines outsourcing, procurement and purchasing in the wider supply chain context. Chapter 11 introduces some of the main elements of good operational practice in the arena of purchasing and supplier development and management.

### INFORMATION AND COMMUNICATIONS TECHNOLOGY IN THE SUPPLY CHAIN

It is clear that recent developments in information and communication technology (ICT) have facilitated significant changes in the manner in which organisations view SCM and, in particular, the key goal of supply chain integration. Section 4 (Chapters 12 to 14) explores these issues in some detail. The focus of Chapter 12 is on the overall role of ICT as a key integration enabler. It provides a taxonomy of the main categories of supply chain ICT applications. Chapter 13 examines the role of ICT more specifically in the transportation and logistics arena. In particular, the types of systems used in the third-party logistics (3PL) sector are considered. Supply chain integration is concerned with the extent to which all activities within an internal and/or external supply chain are linked together. Chapter 14, under the banner of ‘e-business’, looks at how the constituent parts of a supply chain are linked together via the flow of information and the effective implementation and integration of appropriate ICT tools.

### THE FUTURE: MAKING CHANGE HAPPEN

The final section (Chapters 15 to 17) is concerned with bringing the various strategic supply chain elements together in manner which facilitates effective change and improvement. Chapter 15 is based on the notion that, ‘What gets measured gets done!’ It introduces supply chain performance measurement and the notion of *learning supply chains* – leveraging the

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supply chain as a mechanism to enable learning and competence development. Chapter 16 recognises that supply chain re-engineering must be carried out in a logical and systematic manner. It proposes a roadmap for supply chain re-engineering based on some of the key characteristics of SCM excellence. Finally, Chapter 17 looks to the future and outlines some of the likely challenges set to emerge over the coming years and examines some possible innovative supply chain architectures aimed at meeting these challenges.

## OTHER OBSERVATIONS

As noted in the Preface, this book is intended to be read equally profitably by students, researchers and business managers. It is written by a mix of academics, consultants and practitioners, all of whom have significant theoretical and practical experience of the subject matter under discussion. Most are based in Ireland and the illustrative examples used, therefore, are often from Irish organisations or multinational corporations based in Ireland. Nonetheless, the book should be of value to readers in any part of the world. Indeed, the globalisation of supply chains means that the subject of SCM and logistics has become, by definition, a global one. Furthermore, the openness of the Irish economy also means that all contributors to this book have extensive international experience and arguably makes Ireland a good base from which to share SCM experience and knowledge. The word 'perspectives' has deliberately been included in the title to indicate that there are few 'rights' and 'wrongs' in relation to strategic SCM and logistics. Each contributor brings his or her own unique insights based on the nature of their experience. These insights are all of value, and the challenge for the reader is to relate the different emphases and priorities inherent in these perspectives to their own challenges and strategic imperatives.