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

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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
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- Establishment and measurement of supply chain KPI’s
Characteristics of SCM Excellence

- Identification and measurement of customer service because *customer service ‘sets the spec’ for SC design*
- Integration of supply chain activities and information because *many supply chain NVAs are caused by fragmented supply chain configurations*
- 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!*


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.

(Source: NITL Supply Chain Barometer, 2004)
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

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

The only rational basis for continuous improvement

Focus on process and people

Think process and effectiveness
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