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

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Recommended Citation
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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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- Identification and measurement of customer service
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- Integration of supply chain activities and information
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- Integration of supply chain activities and information because many supply chain NVAs are caused by fragmented supply chain configurations
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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
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 \((IT \text{ is imitable})\)

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

External network arrangements

The only rational basis for continuous improvement

Think process and effectiveness

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