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2004-01-01

The Supply Chain Management Perspective

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Recommended Citation

Sweeney, E.:The Supply Chain Management Perspective. Invited Paper, Enterprise Ireland Food Industry Seminar, Dublin, April 2004.

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The Supply Chain Management Perspective



Enterprise Ireland Food Industry Seminar

April 2004

**Edward Sweeney
Director of Learning**

The Supply Chain Management Perspective: Agenda

- Introduction to NITL
- What is SCM?
- Key Issues in the Food Chain
- Technology as an Enabler
- Concluding Comments

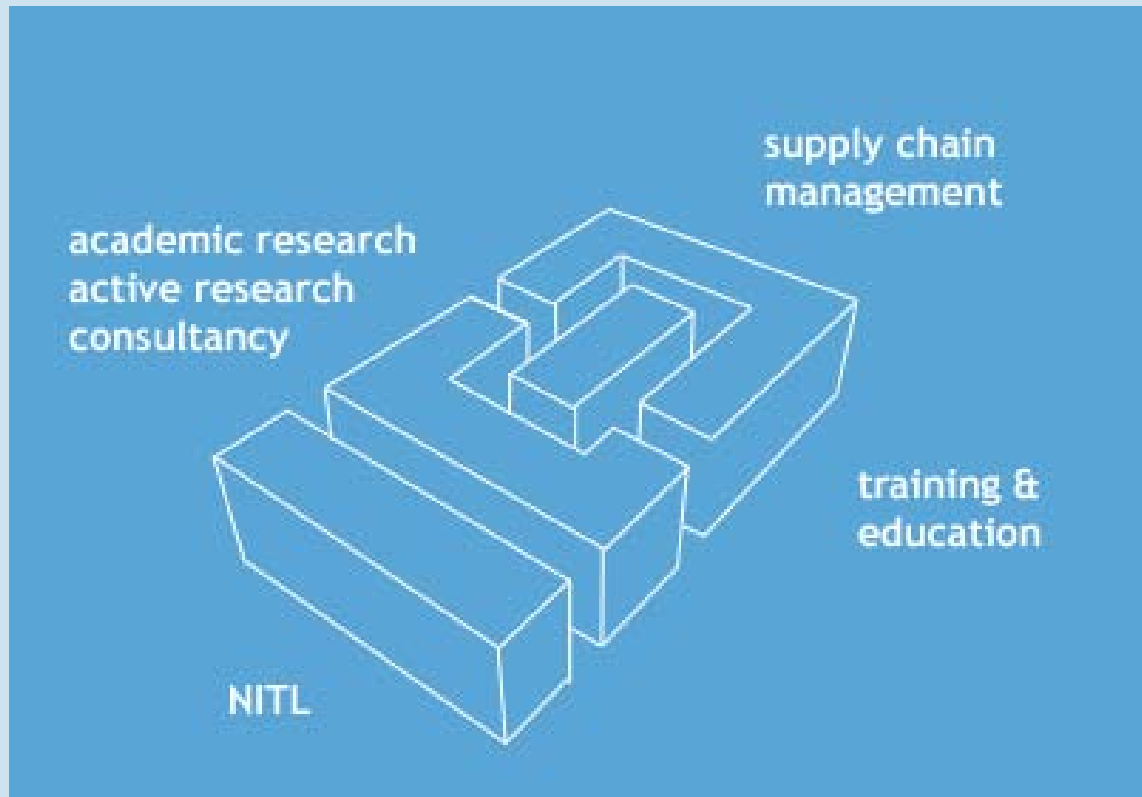
The Supply Chain Management Perspective: Agenda

- *Introduction to NITL*
- **What is SCM?**
- **Key Issues in the Food Chain**
- **Technology as an Enabler**
- **Concluding Comments**

Background and Role of NITL

- National Centre for Supply Chain Excellence
- Supported by the National Development Plan, managed by the Department of Enterprise, Trade and Employment, set up at the DIT
- April 1998
- Supporting Irish companies through an expert portfolio of activities

NITL Structure / Activities



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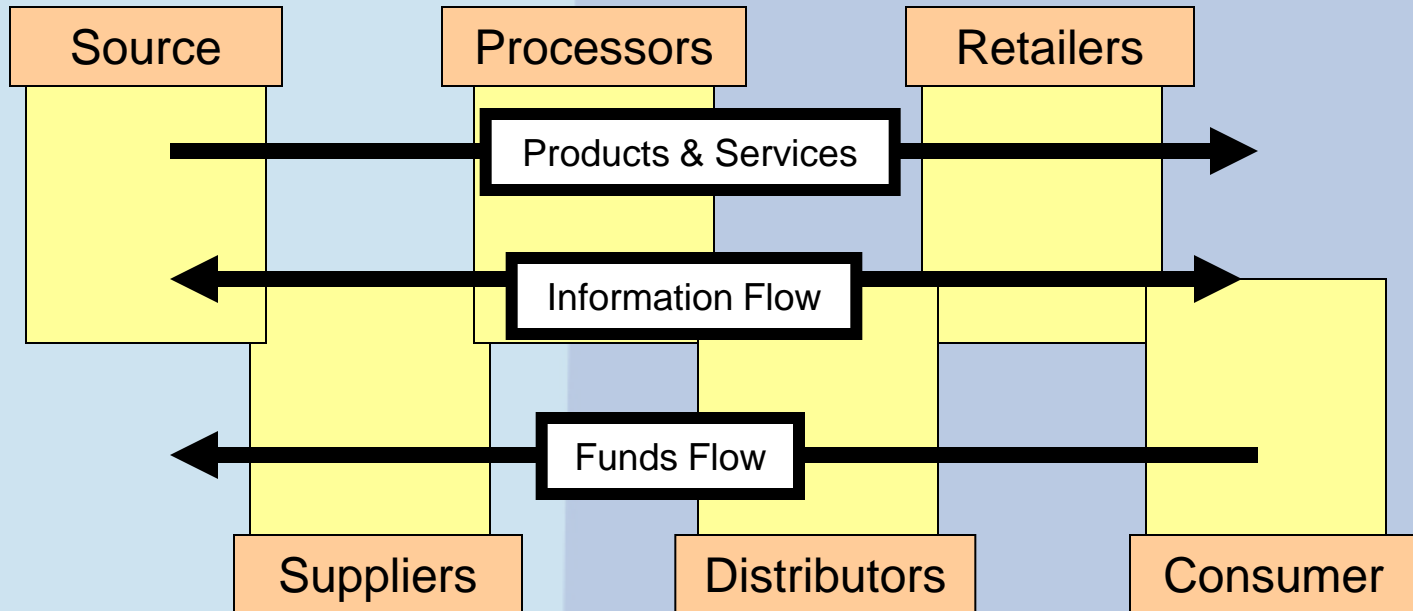
Customer Service 'Sets the Spec for Integrated SCM'

A diagram illustrating the relationship between customer service strategy and supply chain management. It features a large white arrow pointing from left to right. The arrow's tail is a white rectangular box containing the text 'Market Driven Customer Service Strategy'. The arrow's head is a white rectangular box containing the text 'Performance Specification for Integrated Supply Chain Management'. The background is a light blue gradient with a green bar at the bottom.

**Market Driven
Customer
Service
Strategy**

**Performance
Specification for
Integrated Supply
Chain Management**

Supply Chain Philosophy



A product reaches the final consumer through a chain of companies which will typically include suppliers, processors, distributors and retailers.

The Weakest Link

- **Without the right companies across the supply chain to work with, a company will never achieve true competitive advantage. In other words**
- **The supply chain is only as strong as its weakest link.**

What is Supply Chain Management?

A white circle with a thin black border containing the word 'Buy' in blue text.

Buy

A white circle with a thin black border containing the word 'Make' in blue text.

Make

A white circle with a thin black border containing the word 'Store' in blue text.

Store

A white circle with a thin black border containing the word 'Move' in blue text.

Move

A white circle with a thin black border containing the word 'Sell' in blue text.

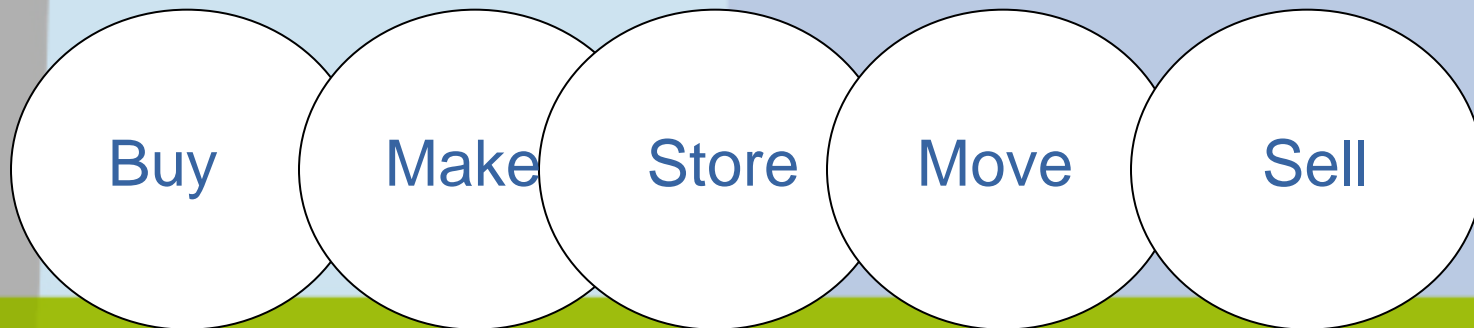
Sell

Traditionally these functions are managed in isolation and often operate at cross purposes.

What is Supply Chain Management?

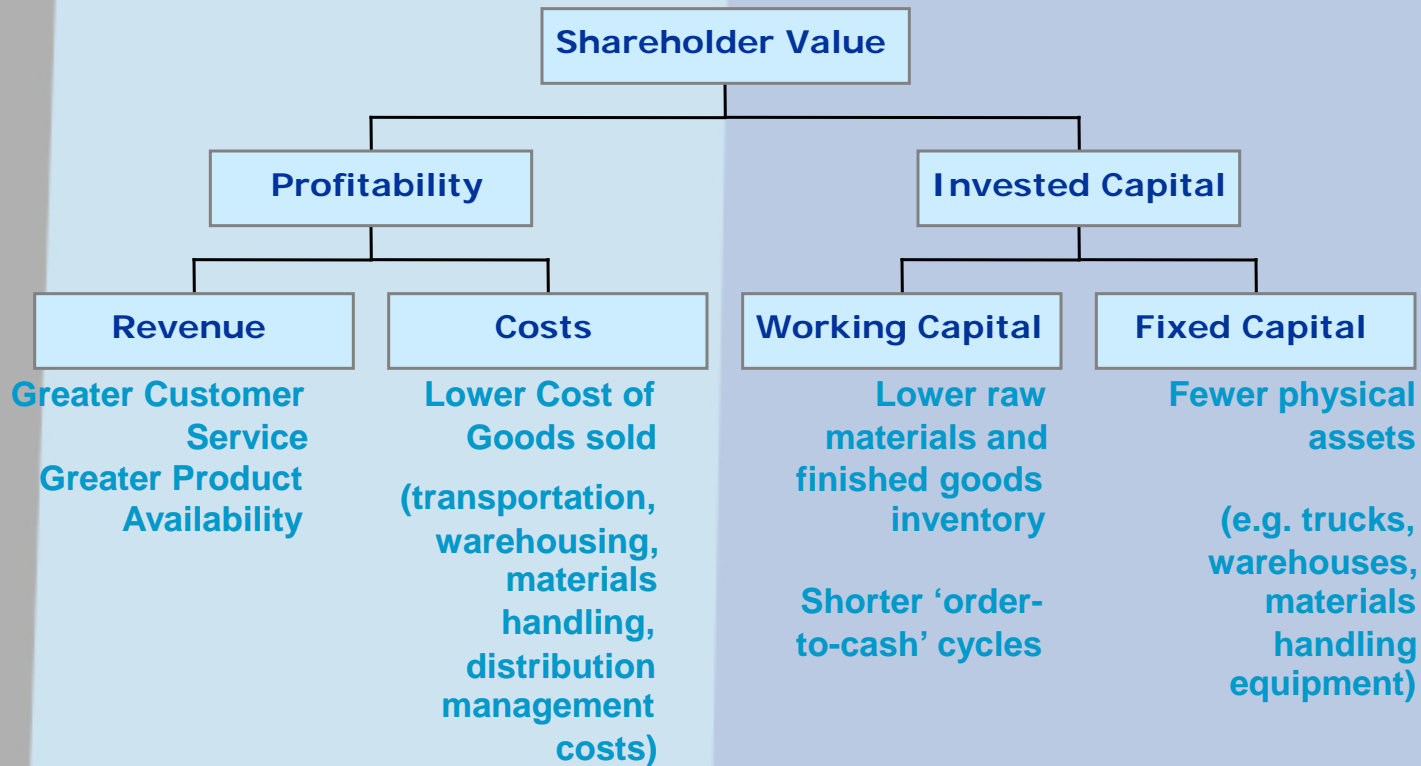
Supply chain management integrates these functions by holistically managing the information, material and financial flows.

Information and Money



Information and Materials

Impact of SCM on Value Delivery



Sources of competitive advantage from SCM

Improved Financial Performance Measures the Success of SCM

A diagram consisting of two white rectangular boxes with black outlines. The left box is a large arrow pointing to the right, containing the text 'Optimum Supply Chain Cost & Investment'. The right box is a standard rectangle containing the text 'Financial Impact of Effective Supply Chain Management'. The arrow points from the left box to the right box, indicating a causal relationship.

**Optimum
Supply Chain
Cost &
Investment**

**Financial Impact of
Effective Supply
Chain Management**

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Key Issues in the Food Chain

- More sophisticated markets
- More discerning customers
- Customer service becoming a more important determinant of competitive advantage
- Strong position of retail multiples
- Centralised distribution
- Downward pressure on costs and profit margins
- Export-orientation: transport costs
- Evolving SCM “best practice” models
- Rapid developments in technology
- *Need for new approaches to logistics and SCM*

Characteristics of Excellent SCM in the Food Industry

- Identification and measurement of customer service

Characteristics of Excellent SCM in the Food Industry

- Identification and measurement of customer service because *customer service 'sets the spec' for SC design*

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- SCM a senior management function

Characteristics of Excellent SCM in the Food Industry

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- 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*

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- Establishment and measurement of supply chain KPI's

Characteristics of Excellent SCM in the Food Industry

- 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 Food Companies Measure Up?

- **Less than 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 20% have a formal logistics position and in less than 4% is it at Board Level**
- **Few companies had clearly defined SCM KPI's**

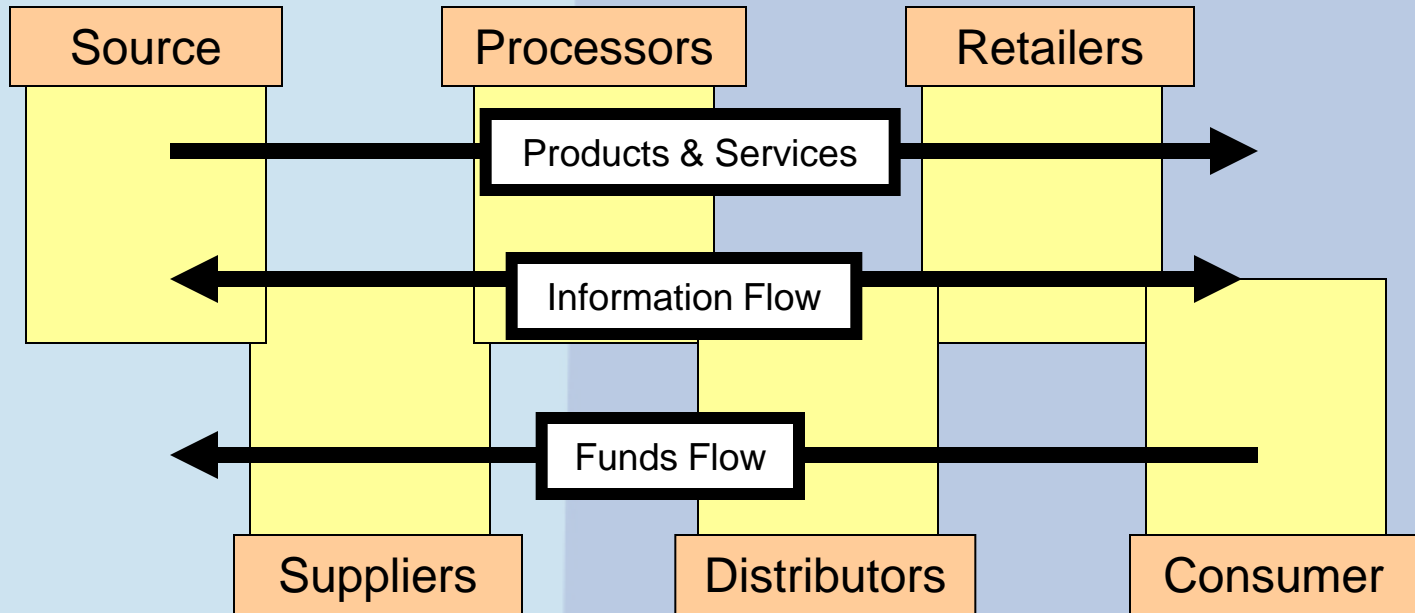
Some Underlying Causes

- Inefficiencies are often built into the supply chain
- Communication structures ineffective
- Exchange of information poor
- Culture inappropriate
- Excessive reliance on forecasting and stockholding
- Managing problems, rather than eliminating their causes

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Technology as an Enabler



Supply Chain Planning

Supply Chain Execution

Information Enablers and Drivers

The proliferation of sophisticated information technology solutions has led to IT investment decisions becoming a complex choice between:

Custom or Standard Systems

and

Point, “Best of Breed”, Enterprise or Extended Enterprise Solutions

Technology - The Historical Approach

The “Science Fiction” or “Tomorrow’s World” view of technology

“Heavy investment in state of the art technology will revolutionise supply chains and resolve all problems”

The record of: MRP, FMS, ERP, XES

Problems:

Automation of bad practices

Islands of automation

White elephants

Failure to involve people

Information Enablers and Drivers

Even more challenging is the realisation that 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

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Concluding Comments

- Ireland moving into 2nd Generation SCM
 - SCM moving “up the value hierarchy”
 - Increasing strategic importance of SCM in the food sector
 - Knowledge and skills implications
 - NITL *Learning*



Supply Chain Management
Centre of Excellence