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You Need to Think Supply Chain Management!

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Waterford Chamber of Commerce

You Need to Think Supply Chain Management!

Edward Sweeney
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Agenda

- **What is SCM?**
- **New Paradigms in SCM Thinking**
- **SCM in Ireland**
- **Challenges: the future**

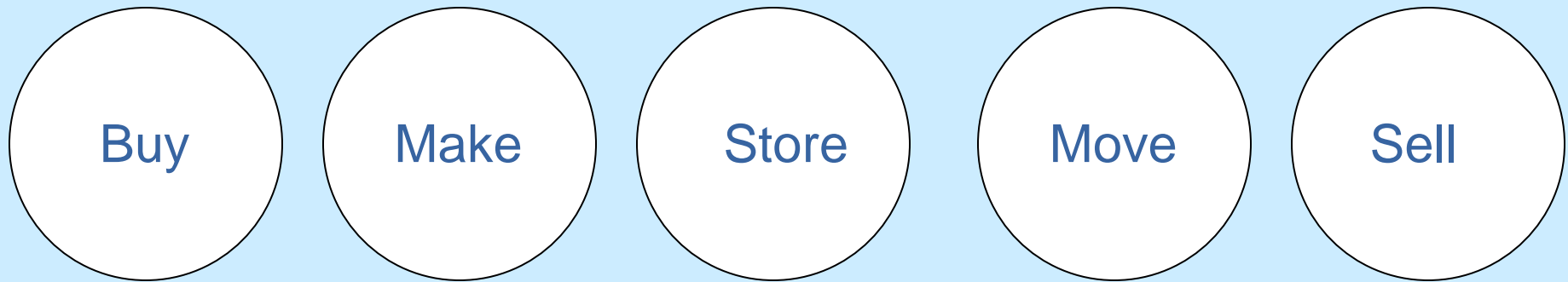
Customer Service 'Sets the Spec for Integrated SCM'



**Market Driven
Customer
Service
Strategy**

**Performance
Specification for
Integrated
Supply Chain
Management**

What is Supply Chain Management?

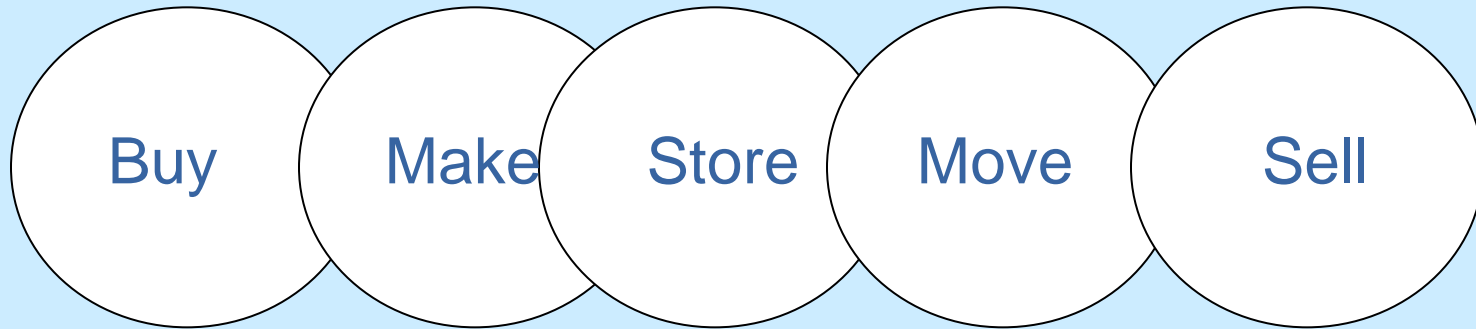


Traditionally these functions are managed in isolation and often operate at cross purposes.

What is Supply Chain Management?

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

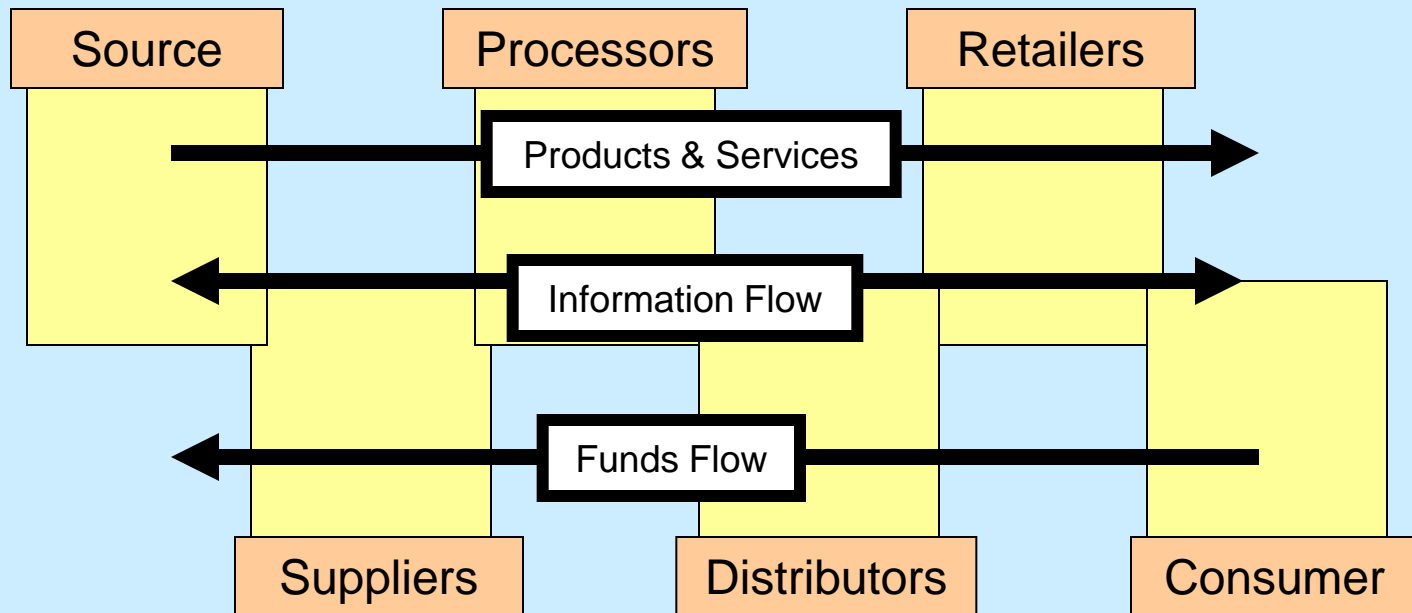
Information and Money



Information and Materials



Supply Chain Philosophy



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

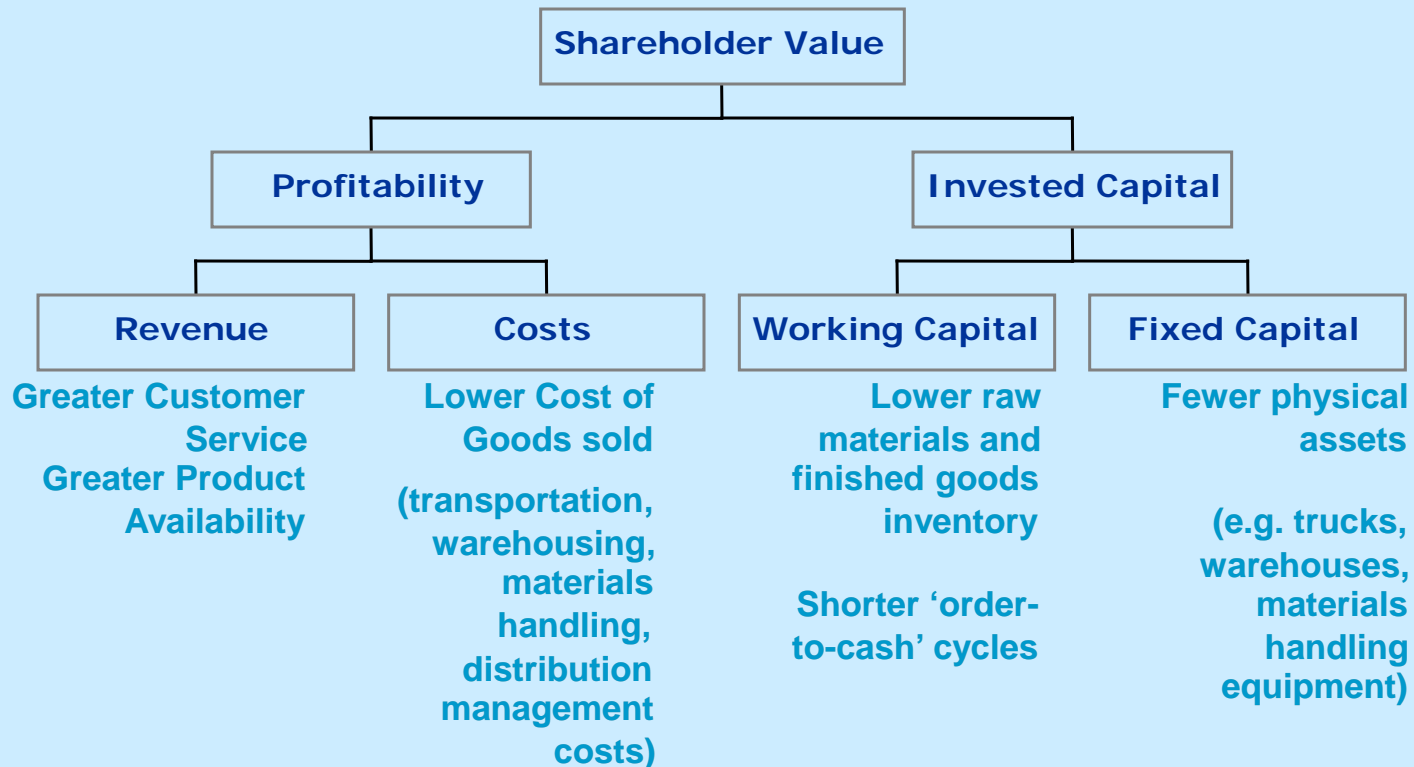
The Weakest Link

- 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.

Key Characteristics of Excellent SCM

- **Integration of supply chain activities**
 - sales forecasting; procurement; inbound transportation; production planning; inventory management; warehousing; outbound transport; customer service; sales order processing
- **SCM a senior management function**
- **Identification and measurement of customer service**
 - customer service 'sets the spec' for SC design
- **Integration of supply chain information**
- **Establishment and measurement of supply chain KPI's**

Impact of SCM on Cash Earnings



Sources of competitive advantage from SCM

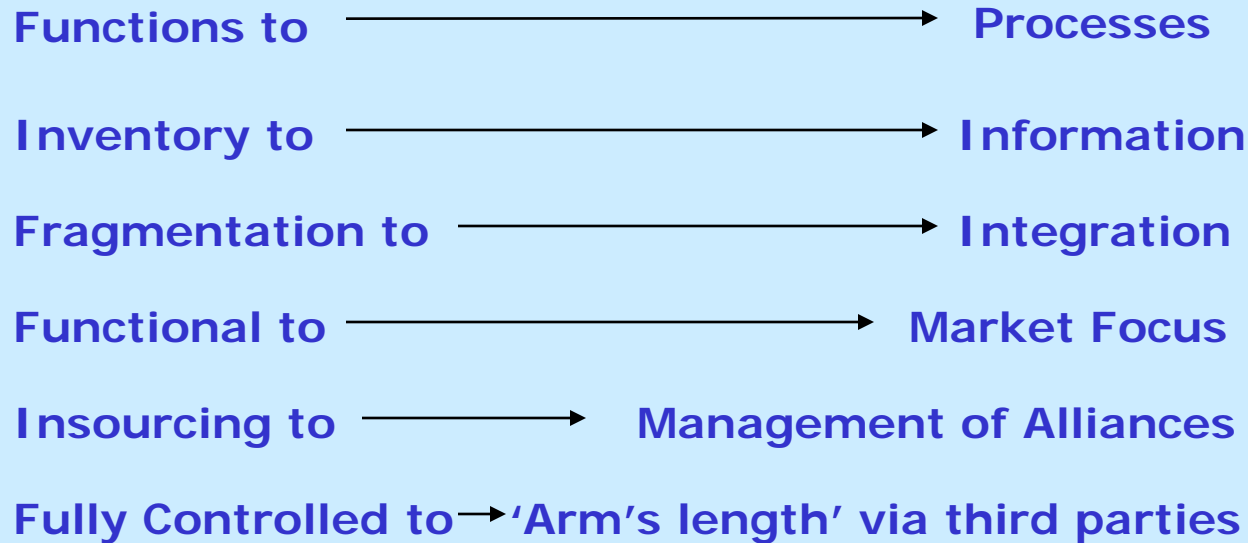
Improved Financial Performance Measures the Success of SCM



**Optimum
Supply Chain
Cost &
Investment**

**Financial Impact
of Effective
Supply Chain
Management**

New Paradigms in SCM Thinking



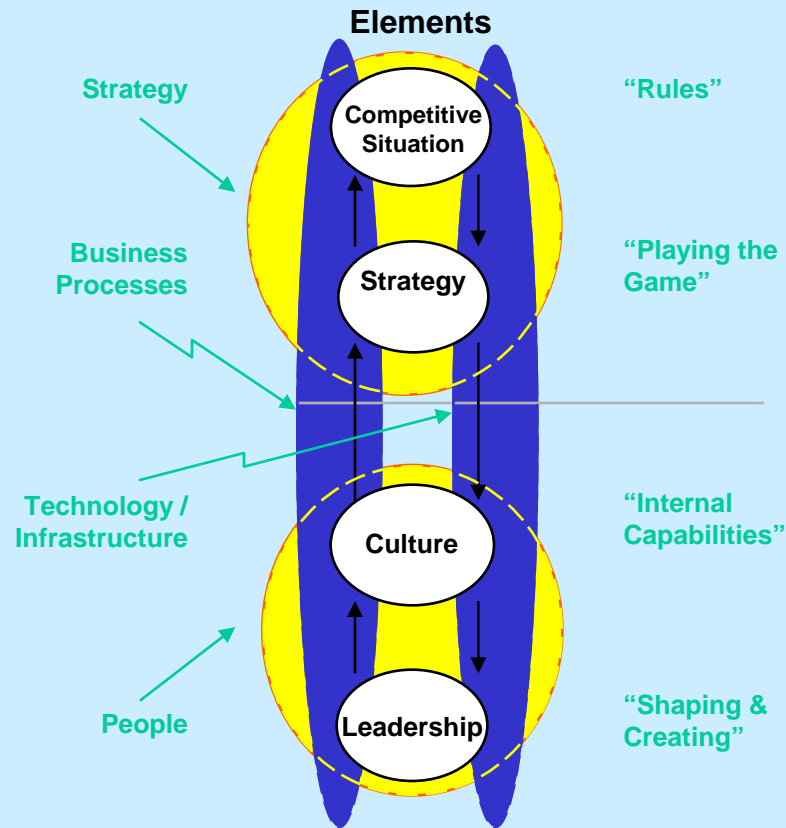
(Source: Martin Christopher 1998)

“Stage Four” SCM

<i>Management Focus and Priorities</i>	<i>Information Systems Characteristics</i>	<i>Organisation Structure</i>	<i>Relationship Characteristics</i>
Value Creation	Use of Internet/Extranet/XML/ Browser-assesible applications	Multiple Enterprise	Command Responsibilities
Innovation	Linked ERP for transaction	Connected	Emphasis on trust
Agility/Responsiveness	CPFRs for planning and control	De-centralised	Actively collaborative
Demand-driven		Complementary Contributors Appointed leaders/ administrators	Framework/Agreement/ Rules of membership

(Source: Fred Hewitt, 2002)

The Strategic Alignment Framework



(Source: John Gattorna, 2002)

Competitive Advantage

There are four main elements involved in being competitive:

- Innovation capacity
- Flexibility of business culture
- Engaging in strategic partnerships
- Improved business practice through the integration of supply chain systems and lean production.

(Source: Deborah Wince-Smith, US Council on Competitiveness, 2003)

SCM in Ireland: importance

- 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 can be a part of a global supply chain
- Can manage 'virtual' supply chains from Ireland

SCM in Ireland: current situation

- Less than 20% have a formal logistics position and in less than 4% is it at Board Level
- 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
- Few companies had clearly defined SCM KPI's
 - 35% did not know their total supply chain costs
 - 60% had not reviewed their transport costs in the last 6 months
 - over 40% admitted holding obsolete inventory

(Source: NITL Logistics Capabilities Study, 2001)

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

Future Challenges

- Ireland moving into 2nd Generation SCM
- SCM moving “up the value hierarchy”
- Knowledge and skills implications
- IT decision making
- Ireland: a pan-European supply chain hub?

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SCM queries**

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