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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**  
**Director of Learning**  
**National Institute for Transport and**  
**Logistics (NITL)**

# Agenda

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

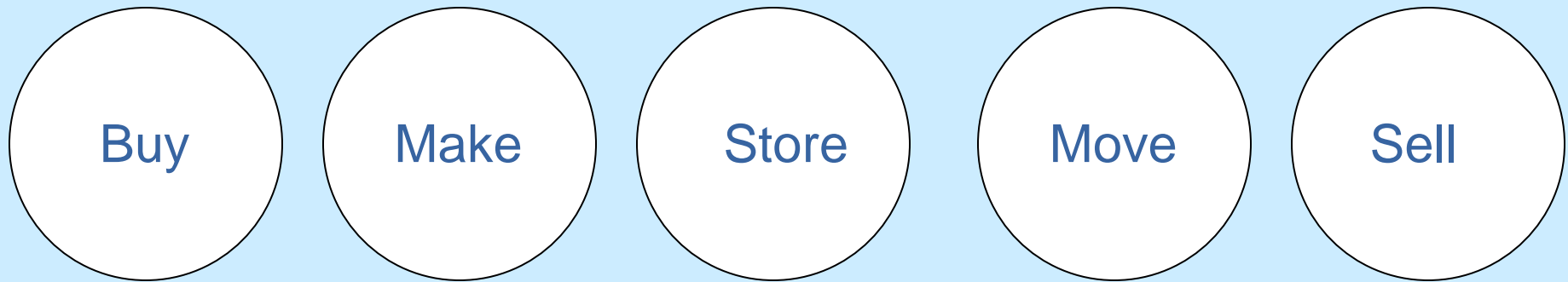
# Customer Service 'Sets the Spec for Integrated SCM'



**Market Driven  
Customer  
Service  
Strategy**

**Performance  
Specification for  
Integrated  
Supply Chain  
Management**

# What is Supply Chain Management?

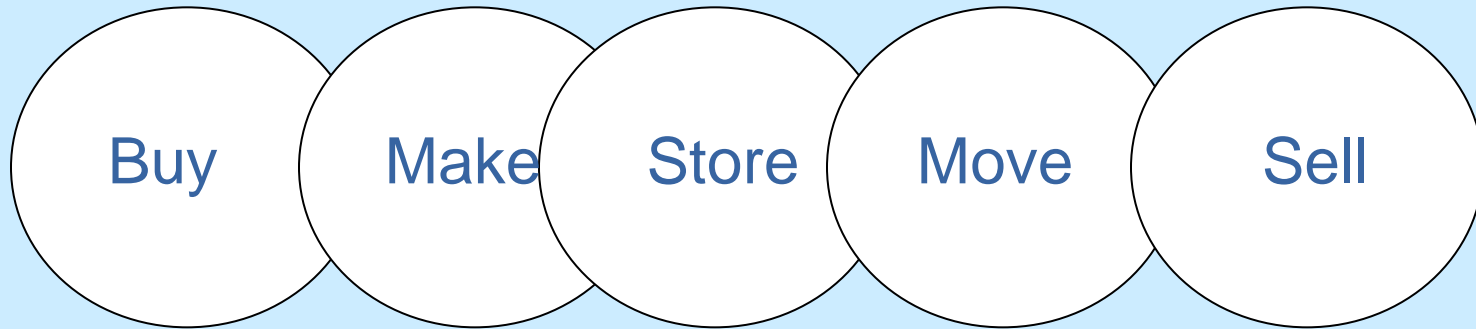


**Traditionally these functions are managed in isolation and often operate at cross purposes.**

# What is Supply Chain Management?

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

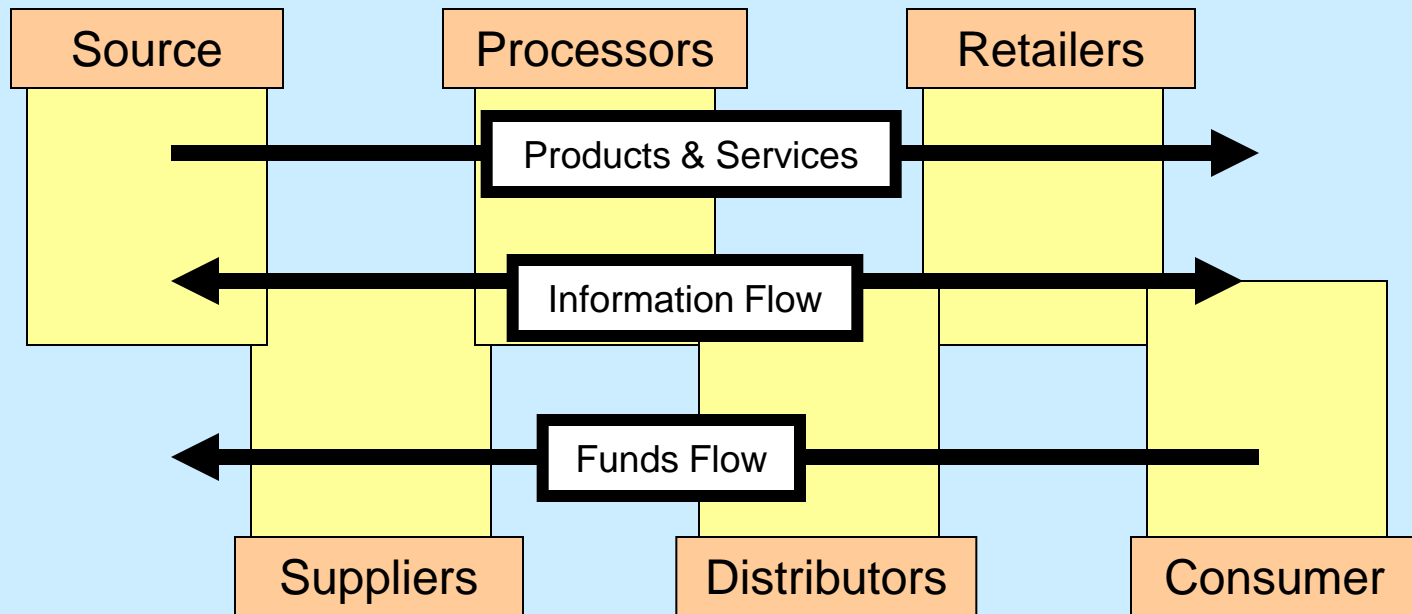
Information and Money



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

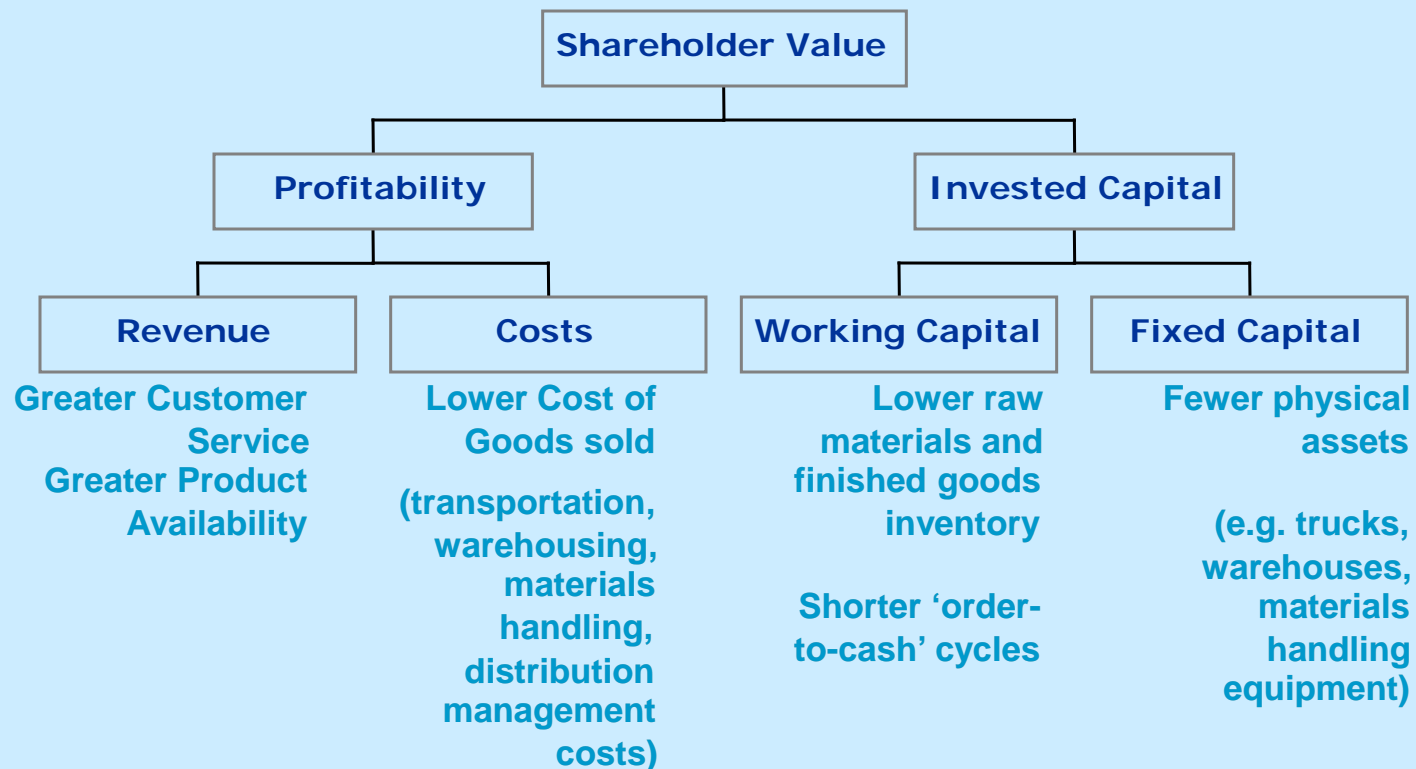
- Without the right companies across the supply chain to work with, a company will never achieve true competitive advantage. In other words.....
- The supply chain is only as strong as its weakest link.



# 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



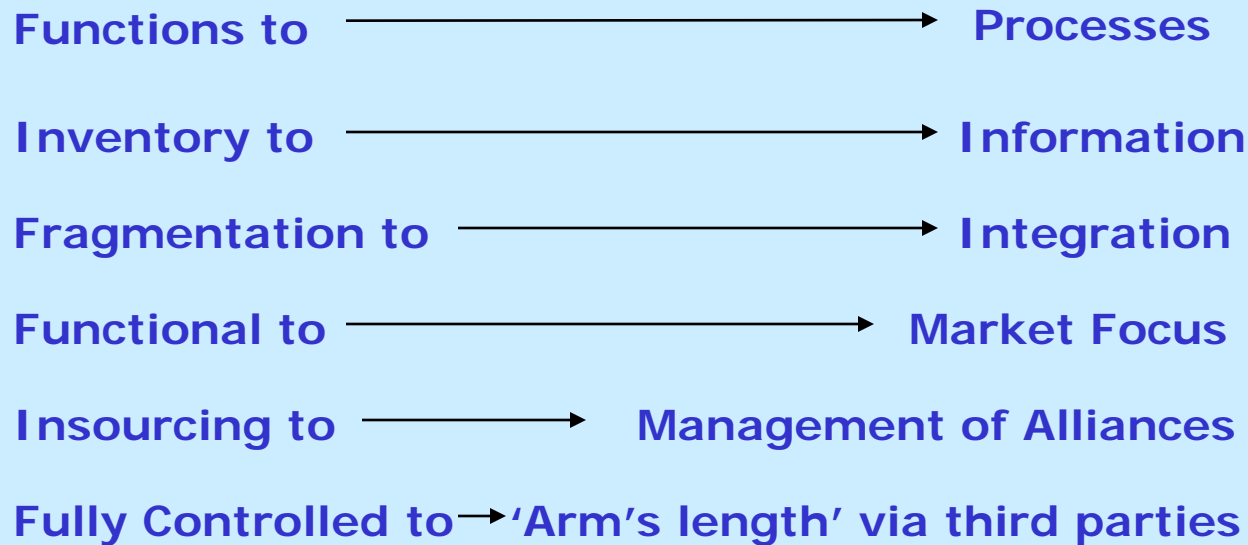
Sources of competitive advantage from SCM

# 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



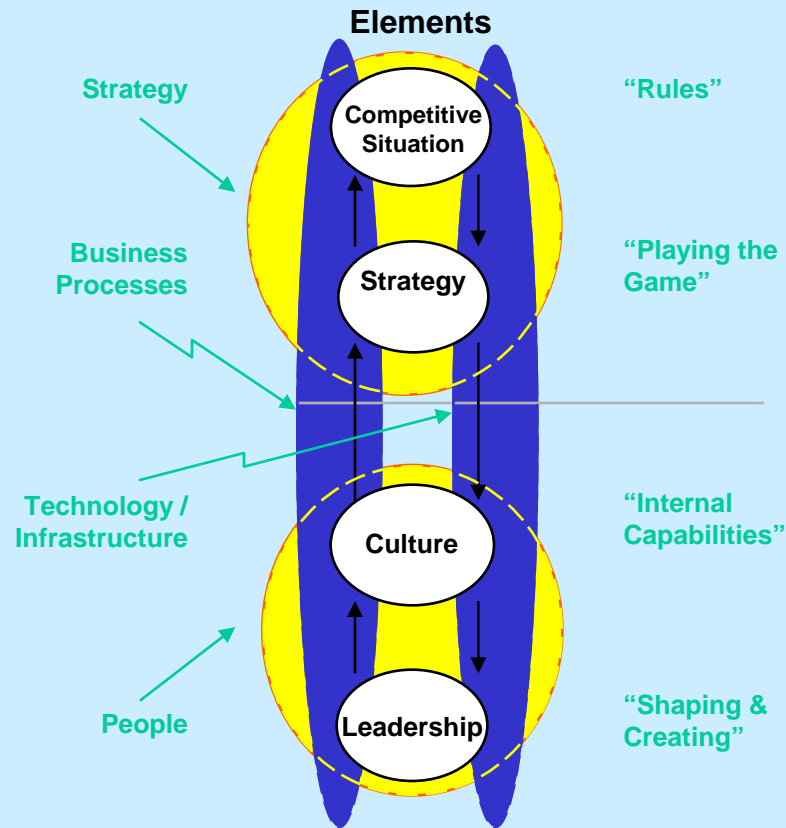
(Source: Martin Christopher 1998)

# “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	<b>Multiple Enterprise</b>	Command Responsibilities
Innovation	<b>Linked ERP for transaction</b>	Connected	<b>Emphasis on trust</b>
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?

**Please contact us for all your  
SCM queries**

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