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## The Role of Supply Chain Management in Industrial Development

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**Enterprise Estonia**

***The Role of Supply Chain Management in  
Industrial Development***



**Edward Sweeney, NITL, Ireland**

**Tallinn, April 2003**

# Agenda

- What is NITL?
- What is Supply Chain Management?
- Key Characteristics of Excellent SCM
- Situation in Ireland
- NITL's Action Plan

# What is NITL?

- Forfas Study 'World Class to Serve the World'
- Founded in 1998
- Centre of Excellence for Supply Chain Management
- Independent Institute, funded under National Development Plan
- Administered by Enterprise Ireland, hosted by DIT
- Assist companies located in Ireland

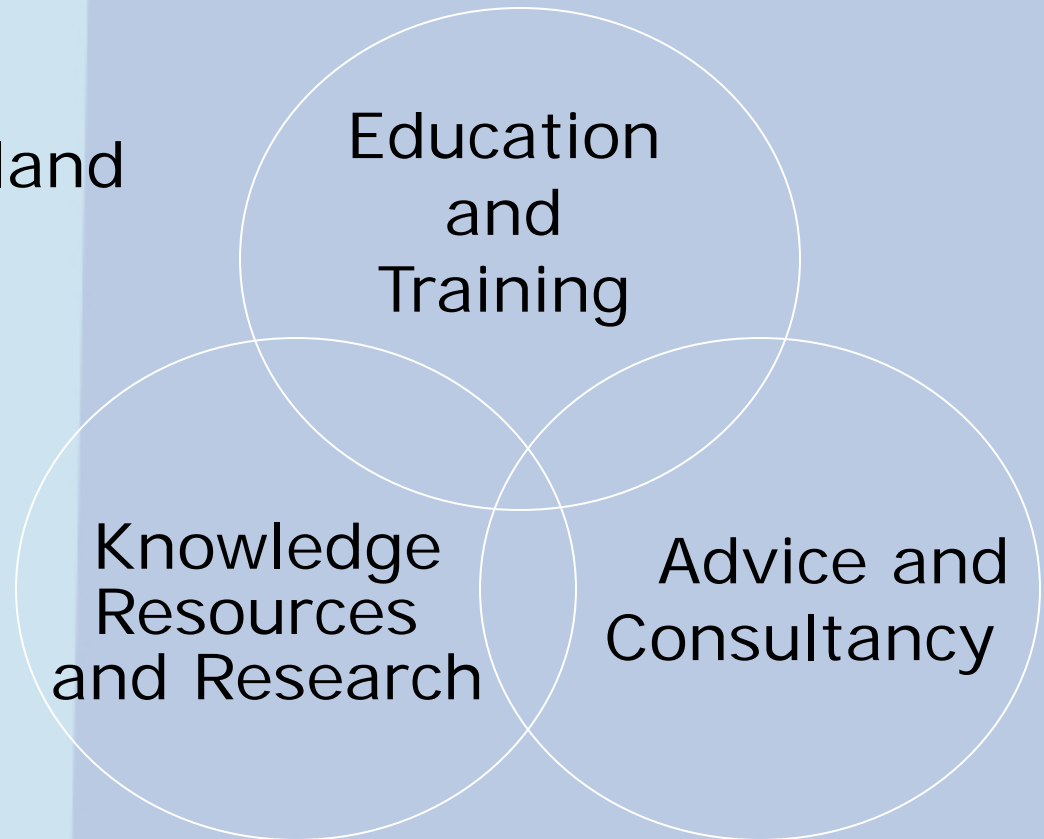
# Aims of NITL

## **NITL's objectives are to:**

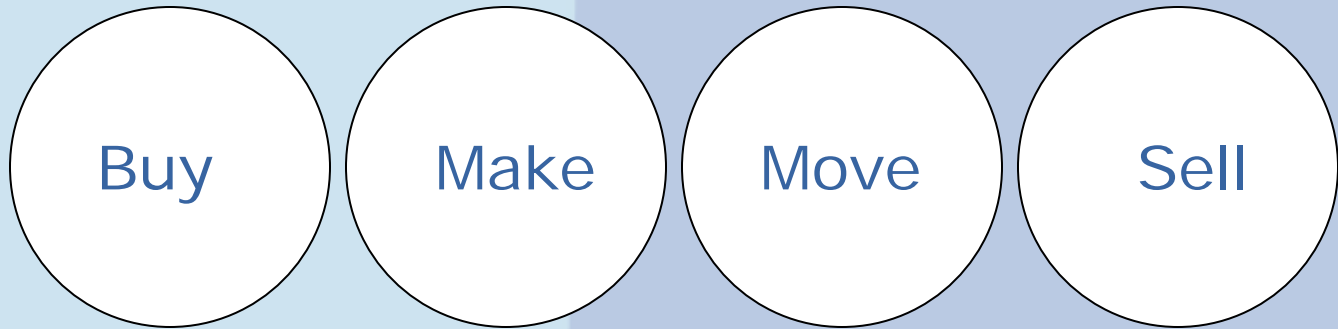
- Raise the profile of Supply Chain Management
- Increase the pool of professionals in Supply Chain Management
- Provide a strategic resource of expertise and knowledge

# NITL Activities

NITL supports  
companies in Ireland  
in achieving  
improvements in  
Supply Chain  
Management by  
providing:



# What is Supply Chain Management?

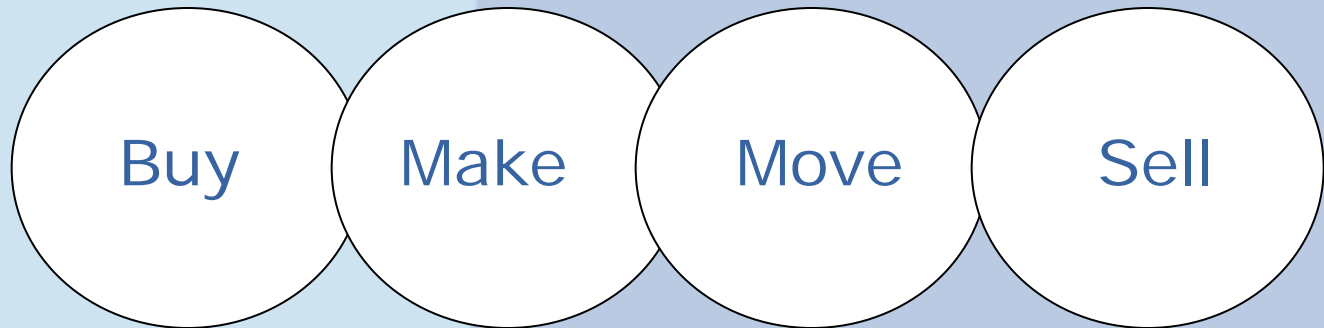


Traditionally these functions are managed in isolation and often operate at cross purposes

# 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**





# Why is SCM Important?

## MIT Study

- The application of SCM in US industry had the following effects
  - 50% reduction in inventory
  - 40% improvement in on-time deliveries
  - 27% reduction in order cycle times
  - nine fold reduction in out of stocks

# Importance of SCM to Ireland

- Apart from the potential operational benefits identified by MIT
- 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
- Supply Chain Management skills are essential
- Can manage 'virtual' supply chains from Ireland

# 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

# SCM Capability of Irish Companies

- Surveyed 300 EI client companies
- Across all sectors, regions, size
- Mix of 'face to face' and telephone interviews

# Key Findings

- 75% of companies have the supply chain functions managed by more than 3 people
- 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 systems and having them integrated across the supply chain
- Few companies had clearly defined SCM KPI's
  - 35% did not know what their logistics costs were
  - 60% had not reviewed their transport costs in the last 6 months
  - over 40% admitted holding obsolete inventory etc.

# SCM Staircase

- 60% of companies scored less than 60/100
- Food companies scored better than industrial
- Large companies scored better than small
- 'First tier' suppliers to multinationals scored better than others
- NITL's challenge is to get more than 60% scoring over 60

# NITL's Action Plan

- Create awareness of SCM
- Increase the pool of Supply Chain Management professionals
- Develop and provide SCM support tools

# Creating Awareness

- Logistics Ireland Annual Conference
- Logistics Solutions magazine
- Technical Fact Sheets
- SCM Road Show
- NITL Website



# Increasing the Pool of SCM Professionals

PROGRAMME	LEADING TO:
Foundation Certificate Programme	Certificate
Executive Development Programme	Certificate/Diploma
B.Sc. in Logistics and Management	B.Sc.
Graduate Development Programme	M.Sc.
Fellowship Programme	M.Phil.
Research Programme	PGDip., M.Phil, Ph.D.
Customised Training	Certified Continuing Professional Development
Short Courses	

# SCM Support Tools and Services

- Support Tools
  - Self Audit Packs
  - Benchmarking Clubs
  - Statistics and Indices
  - SCM Software Directory
  - SCM Services Directory
- Knowledge Resources and Research
- Advice and Consultancy



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