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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***



Supply Chain Management
Centre of Excellence

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:

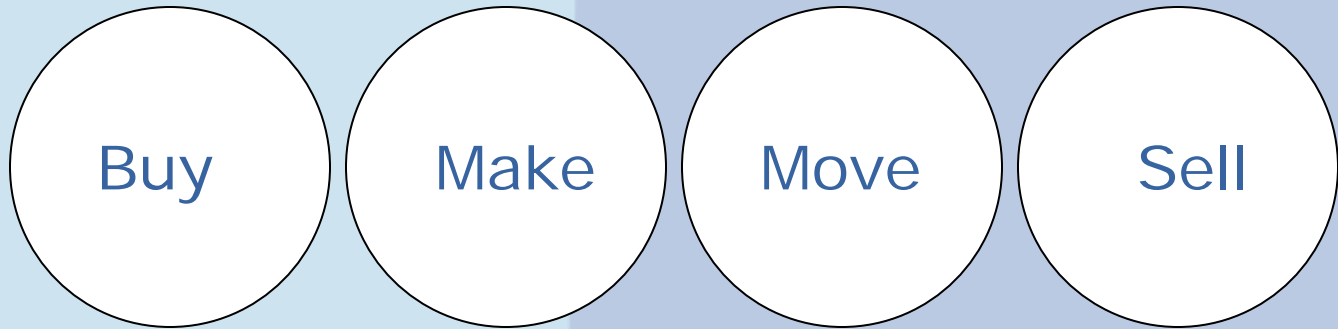
- Raise the profile of Supply Chain Management
- Increase the pool of professionals in Supply Chain Management
- Provide a strategic resource of expertise and knowledge

NITL Activities

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



What is Supply Chain Management?

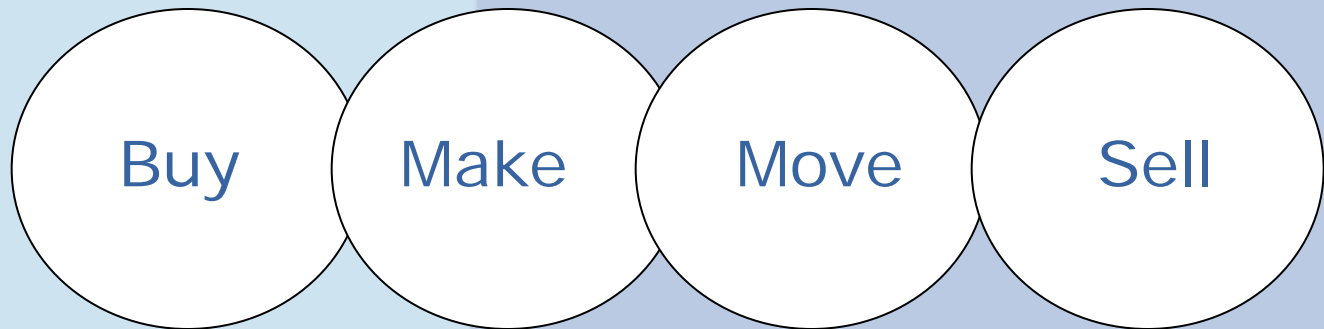


Traditionally these functions are managed in isolation and often operate at cross purposes

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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