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supply chain management in Ireland - the future

By **EDWARD SWEENEY**, Director of Education and Training, NITL

This article presents a vision of the changing nature of logistics and supply chain management in Ireland. It goes on to outline the need for a working centre of excellence or virtual "hub" in the area and to suggest some of its critical success factors. The centre is based on the "SCM Village" concept.

NEW CHALLENGES FOR SCM IN THE 21ST CENTURY

Supply chains have become more global as a direct result of structural changes in the world economy. In addition, they have become more virtual as companies outsource key supply chain functions. These two factors have resulted in SCM becoming a more important determinant of competitive advantage than ever before. They have also made SCM more complex than ever before. In developed economies, the continuing shift in emphasis away from manufacturing and towards the provision of high-value services will have a major impact on the essence of SCM in the coming years and decades.

Ireland will be particularly affected by this trend due to the open nature of the economy and the high proportion of imports and exports as a percentage of GDP. Logistics and SCM will become less about the physical movement of material on to and off of the island. If Ireland is to become a logistics hub (at least within the European context) there is a need to think of SCM in a radically different way. In short, SCM will need to move up the value-adding hierarchy. As SCM becomes less concerned with the physical movement of material, it will become more concerned with the management of information and knowledge. This shift has profound implications for the knowledge and skill base of Irish logisticians. It also has implications in terms of IT and communications infrastructure.

The IDA has recognised the need for this type of change as an integral part of its approach to industrial development. Its

annual report for 2000 stated that:

"IDA Ireland works closely with the overseas companies already located in Ireland to maximise their potential by assisting them in upgrading their facilities and in moving their operations higher up the value chain."

The report goes on to state that:

"IDA fully supports the management of these companies to secure, from their parent companies, the widest possible range of strategic corporate functions."

The concept outlined in this article is strongly in line with these aspects of national policy.

STRATEGIC CORPORATE FUNCTIONS

In a previous article in *Logistics Solutions* (Issue 5, 2001) Edward Sweeney and Randal Faulkner discussed the new business model of the 21st century and the role of SCM in this model. A detailed discussion of this model is beyond the scope of this article but its key thrust is that the three key business processes are new product introduction (NPI), marketing and SCM. The article discussed the importance of these key areas and the interactions between them.

If overseas companies are to become further embedded in Ireland, there is a need to nurture these key value-adding business processes as a key part of the nation's industrial development policy. Indeed the previously cited IDA report specifically refers to logistics as one of these strategic corporate functions. For the Irish operation of the company, this deepens the role of the company as part of the global operation, "as a vital part of the value chain of its parent company". For the Irish economy, it further embeds the company in the location at which it is established and it provides "increased knowledge based and higher skilled employment".

It has long been accepted that NPI, with R&D and product design and development as core activities, is a strategic corporate function. It enables companies to get new

product into the market in a timely and cost-effective manner. Marketing, with brand management as a core activity, has also been long accepted as another key strategic function. These two areas have received specific attention, particularly in relation to knowledge and skills development, for some time. It is only in recent years that logistics and supply chain management has begun to be taken

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seriously from a policy point of view. The establishment of NITL in 1998, for example, represented a major initiative designed to enhance capability in this critical field. However, much more needs to be done – a recent FAS report, for example, pointed out that demand for logistics and supply chain management professionals greatly exceeds supply and is likely to continue to do so unless there is a significant policy change in this area.

IS THERE ANY FUTURE FOR SCM IN IRELAND?

On a positive note, in many ways Ireland has unique and unrivalled experience of SCM. This has resulted from several factors including the open nature of the economy,

the high levels of imports and exports, the strong IT base and the almost uniquely diverse base of the economy. If the opportunities presented by the new business model, and the central role of SCM as part of it, are to be turned to national advantage there is an urgent need for the key players to begin to put the necessary capability into place.

One way to achieve this is through the creation of a working logistics/SCM centre of excellence or virtual "hub" in Ireland. One possible model for such a centre is the successful International Financial Services Centre (IFSC) in Dublin. The major benefits of such an initiative would include:

- Attraction of further inward investment and high quality jobs into the Irish economy;
- Deepening the roots of existing multinationals in Ireland;
- Access to a world class centre for indigenous companies, particularly those which are significant exporters;
- Attraction of international expertise (from logistics service providers, research and consultancy organisations and training and education providers) into Ireland;
- Creation of a focal point for future developments in the area;
- A highly developed IT and communications hub.

This concept has to be founded on some of the fundamental paradigm shifts which will take place in SCM over the coming years (see Figure 1).

For any logistics/SCM hub to be effective, these shifts provide some important pointers to the critical success factors.

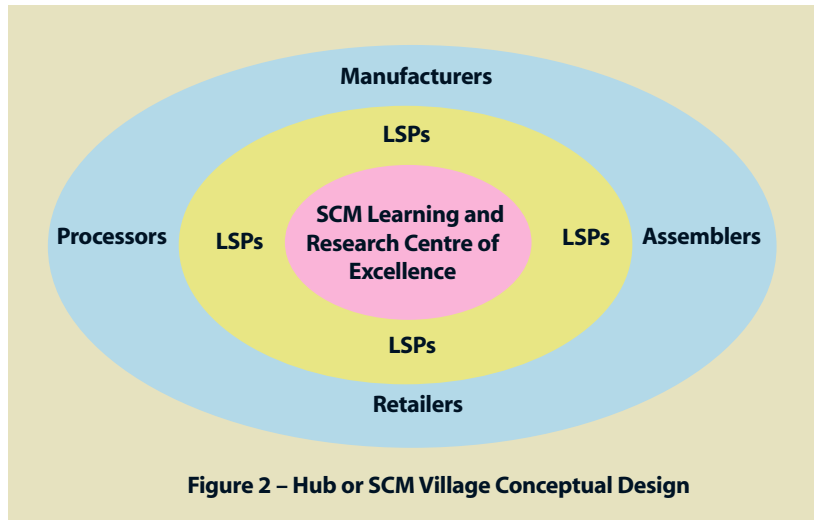


Figure 2 – Hub or SCM Village Conceptual Design

HUB FEATURES

Focus on value

The guiding principle of the proposed hub has to be value creation and addition. Value can only be added or created if there is a strong focus on customers' needs and on the ways in which customer service requirements are changing in key strategic market segments. As NITL has long argued, it is an understanding of customer service requirements which sets the specification for any supply chain. A focus on business processes which cross traditional functional barriers create value and facilitate the shift from fragmentation to integration in organisations.

Information management as a key integrator

Excellence in the management of information is a critical success factor for the proposed initiative. This means that the hub has to have extensive knowledge and skills in relation to SCM IT as its kernel.

Management of partnerships and alliances

In line with the theme of the previous edition of Logistics Solutions, the effective management of partnerships and alliances will have to be an underpinning principle of the proposed hub. This is vital as supply chain functions are increasingly outsourced and as supply chains become more virtual as a direct result.

Hub Conceptual Design

The proposed virtual hub is based on the SCM Village concept. A conceptual design proposal is shown in Figure 2.

The design has SCM learning and research at its core. This supplies the highly trained and educated professionals for the village (and elsewhere). The positioning of this activity at the centre of the village also enhances the learning process itself by providing an active learning environment – the village becomes the SCM campus. Research is carried out here also with the twin objectives of providing village companies with access to leading edge supply chain thinking and of ensuring that all learning is genuinely based on world-class best practice. All learning and research activity is carried out in partnership with village companies.

Around this central activity sit the Logistics Service Provision companies. These provide a range of integrated 3PL and 4PL value-adding logistics services and supply chain solutions to village clients.

Finally, the client companies of the LSPs are clustered in the village working in close collaboration with the learning and research activities and the LSPs. These companies represent a range of players from different industry sectors and different parts of the supply chain, i.e. processors, manufacturers, assemblers and retailers.

CONCLUSIONS

NITL believes that SCM is at a crossroads in its development in Ireland. If the country is to become a genuine international logistics/SCM hub, there is an urgent need to put into place a working centre of excellence or hub in this area. Further work is required to develop a working model of this SCM village concept based on the principles outlined in this article. Success will be largely dependent on co-operation and partnership between both public and private organisations if this vision is to become a reality. **LS**

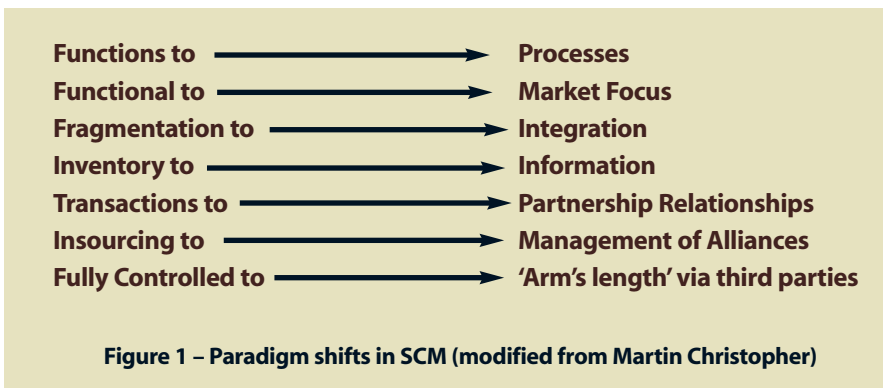


Figure 1 – Paradigm shifts in SCM (modified from Martin Christopher)