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# Dynamic Supply Chain Management Leading the Recovery

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# CILT Eastern Section Seminar

## *Dynamic Supply Chain Management Leading the Recovery*



Supply Chain Management  
Centre of Excellence

**Edward Sweeney, FCILT**  
Director of Learning, NITL

September 2010

# Agenda

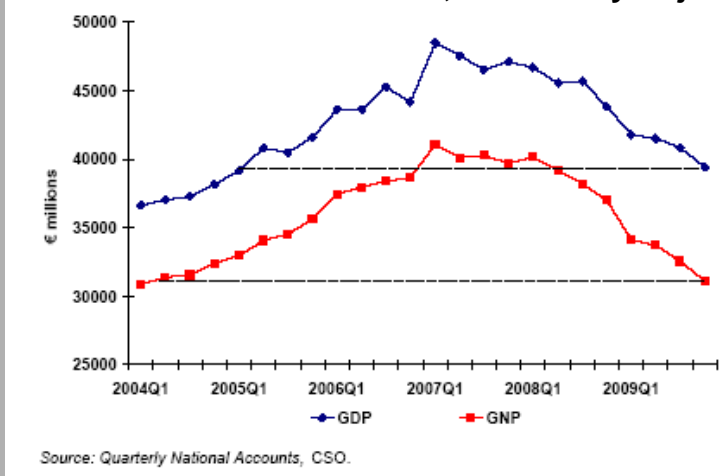
- **Context: Economic; SCM Landscape; Ireland**
- **SCM: Integration and Alignment**
- **Theory and Practice?**
- **Some Concluding Comments**

# Agenda

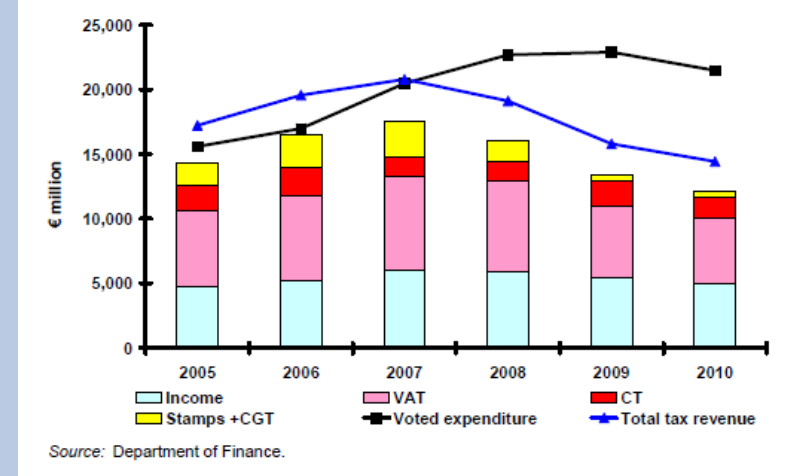
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# Context: *Economic*; SCM Landscape; Ireland

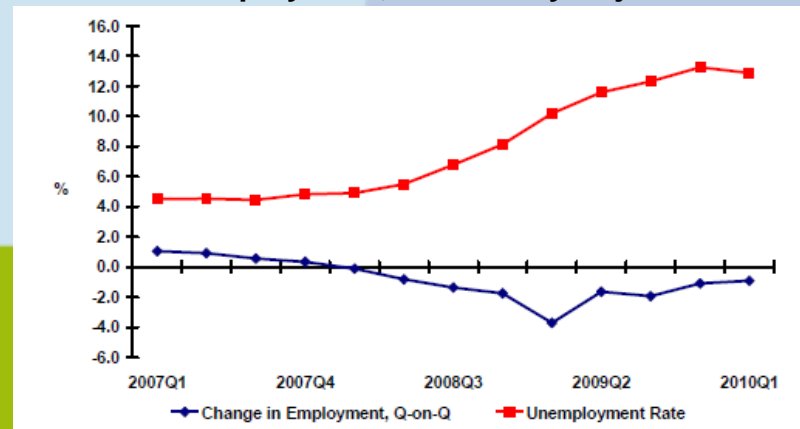
GDP and GNP at Current Prices, Seasonally Adjusted



Exchequer Returns

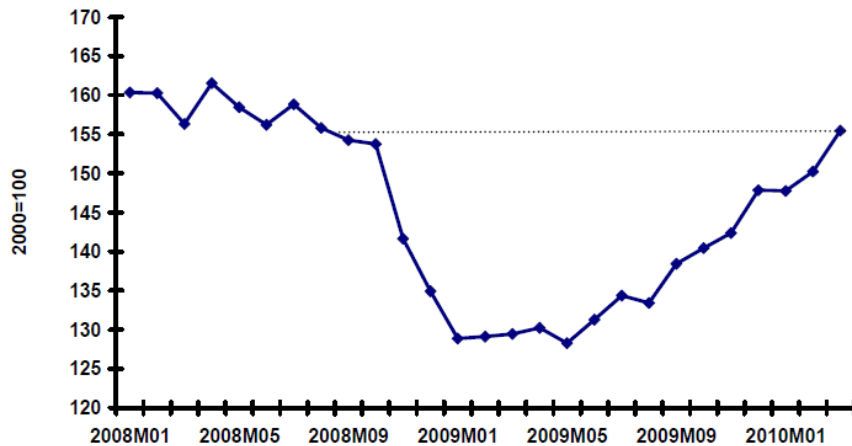


Unemployment Rate and Quarter-on-Quarter % Change  
In Employment, Seasonally Adjusted



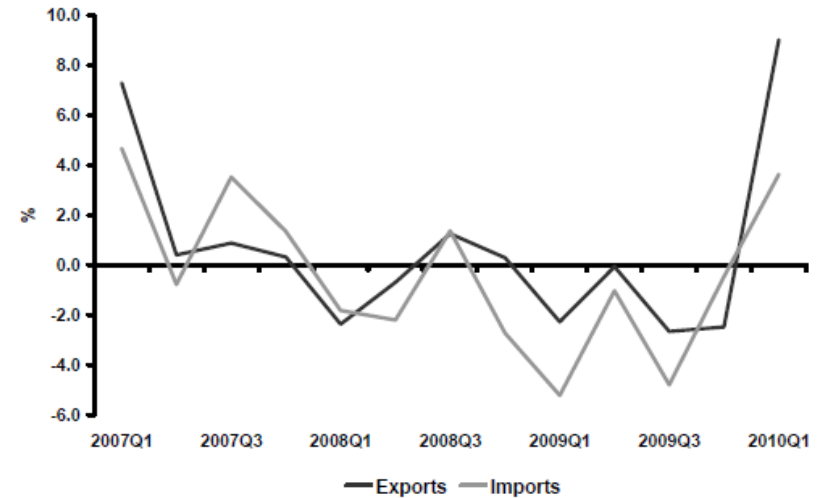
# Context: *Economic*; SCM Landscape; Ireland

Index of World Trade



Source: World Trade Monitor, Centraal Planbureau (The Netherlands).

Exports and Imports, Volume Growth Rates Annualised



Source: Quarterly National Accounts, CSO

# Context: Economic; **SCM Landscape**; Ireland

- Internationalisation (or globalisation) of supply chains
- Outsourcing and vertical disintegration
- Hyper-competition: more sophisticated markets; more discerning customers; more industries

***Changing role of the SC in strategic differentiation***

# **Context: Economic; *SCM Landscape;* *Ireland***

- Potential operational benefits (supply chain economics and customer service)
- Open economy (imports/exports proportion of GDP)
- Peripherality: transport only one element of 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





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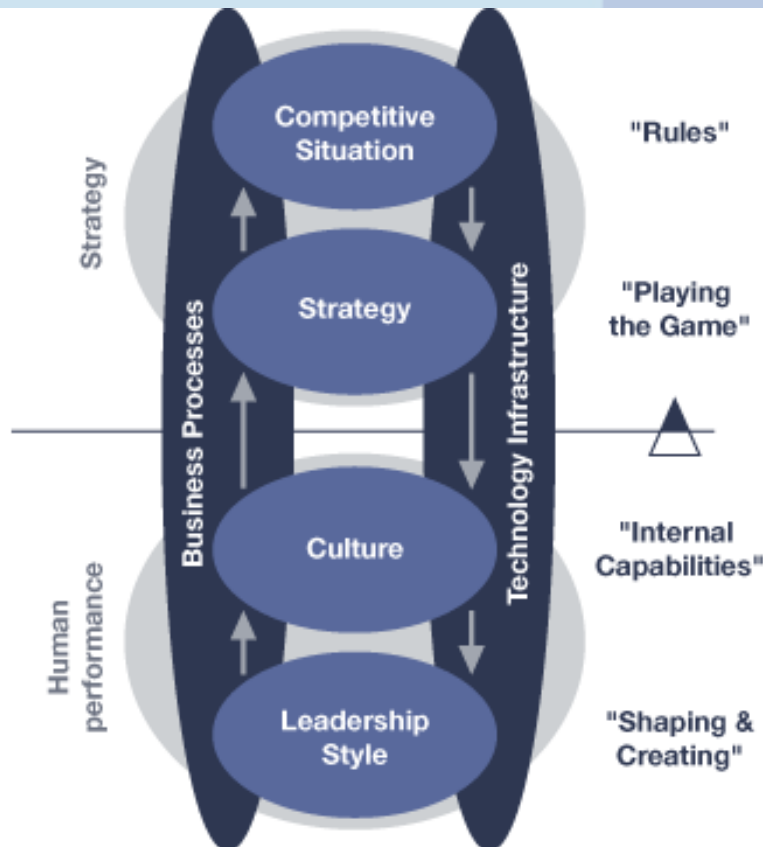
# SCM: Integration and Alignment

- SCM concept originally introduced by management consultants in the early 1980s (Oliver and Webber, 1982)
- Significant and growing interest in business, academia and professional bodies
- Strong emphasis on the concept of inter-firm and intra-firm *integration* of supply chain activities in SCM academic literature
- *Integration* of supply chain activities and information because *many supply chain NVAs are caused by fragmented supply chain configurations*

# Integration: SCM's 'Big Idea'

- Storey et al. (2006) in their discussion of the interlocking ideas and propositions of SCM declare that, *“the central underpinning ideas relate to alignment and integration”*
- Pagell (2004) declares that *“in its essence the entire concept of SCM is really predicated on integration”*
- Internal ('buy-make-move-store-sell')
- External ('intra-firm')

# SCM: Integration and Alignment



### Underlying logic

- An organisation must be aligned with its operating environment

### Usefulness

- Shows the interaction between customers' needs, the formulation of appropriate strategic responses, and the successful execution of these strategies by shaping the necessary internal capabilities and corresponding leadership styles

### Prerequisite

- Understanding of the customers' fundamental needs and buying behaviours that ultimately drive sales, revenues, and profit

Source: [www.johngattorna.com](http://www.johngattorna.com)

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# Theory and Practice?

Forrester in the *Harvard Business Review* in 1958 stated that:

“Management is on the verge of a major breakthrough in understanding how industrial company success depends on the interactions between the flows of information, materials, money, manpower, and capital equipment.”

# Theory and Practice?

- **SCM is a sound concept but turning the idea into practice is not easy and that it has so far received more lip service than accomplishment, except in a few leading edge companies (Leenders et al., 2002)**
- **Practitioners are far from mastering SCM (Chen and Paulraj, 2004)**
- **Anecdotally, the SCM literature appears to be concentrated in a handful of industry sectors - examples to illustrate SCM concepts are mostly chosen from industries such as consumer goods retailing, computer assembling and automobile manufacturing (Burgess et al., 2006).**
- **Our research found very few examples of ‘end to end’ SCM (Storey et al., 2006)**

# Theory and Practice?

## Supply chain integration improves performance: the Emperor's new suit?

Supply chain  
integration

835

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Nathalie Fabbe-Costes

*Centre de REcherche sur le Transport et la LOGistique,  
Université de la Méditerranée-Aix-Marseille II,  
Aix-en-Provence Cedex, France, and*

Marianne Jahre

*Department of Strategy and Logistics,  
Norwegian School of Management (BI), Oslo, Norway*

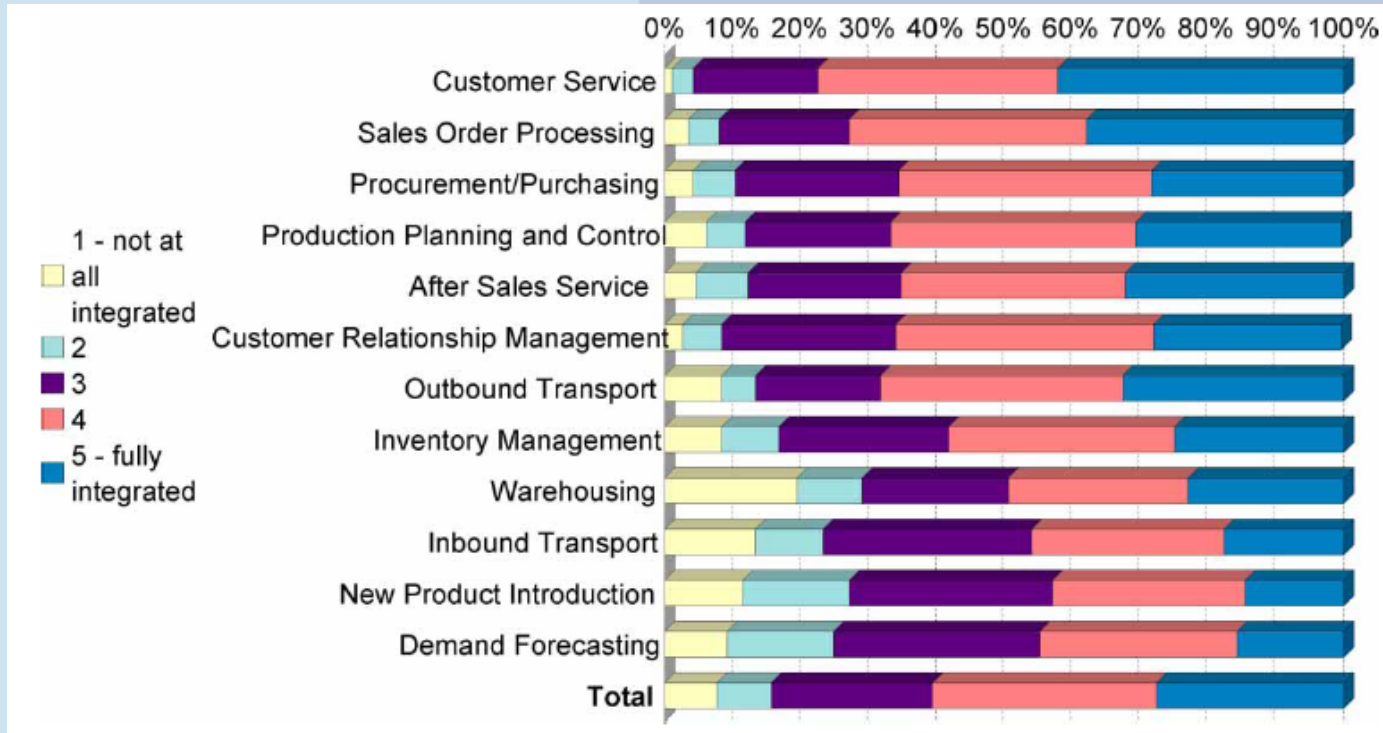
**We can confirm that integration is more rhetoric than reality, that it might be more difficult in practice than in theory (Fabbe-Costes and Jahre, 2007)**





# Theory and Practice: How Does Ireland Measure Up?

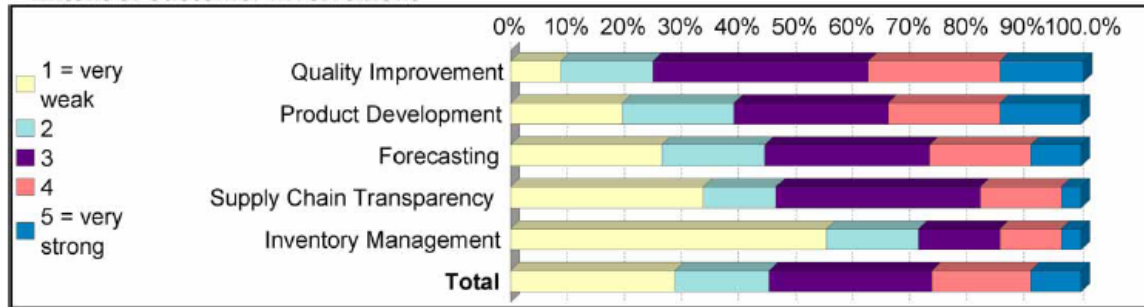
Perceived Integration of Supply Chain Activities



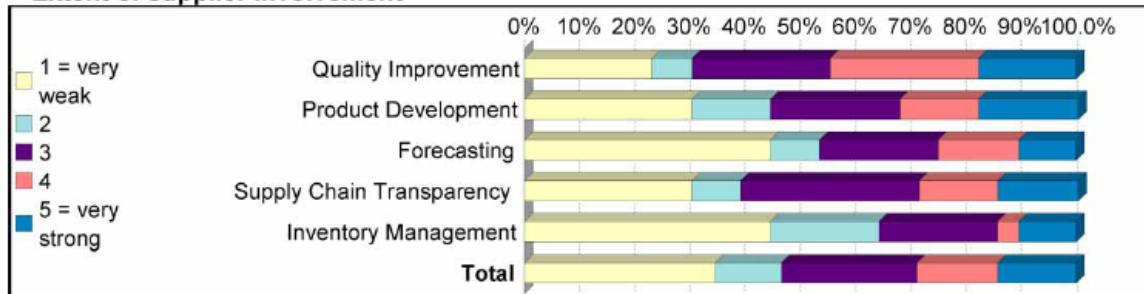
# Theory and Practice: How Does Ireland Measure Up?

## Extent of customer and supplier involvement in supply chain activities

### Extent of customer involvement



### Extent of supplier involvement



# Theory and Practice?

*“while there is an emerging body of theory which ostensibly offers a relatively coherent and compelling prescriptive narrative, predominant practice is at considerable odds with this conceptualisation” (Storey et al., 2006)*

## Why? Barriers to SCM Excellence?

# Some Barriers to SCM Excellence

- Inefficiencies are often built into the supply chain
- Communication structures ineffective and exchange of information poor
- Culture inappropriate
- Excessive reliance on forecasting and stockholding
- Managing problems, rather than eliminating their causes

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# Some Concluding Comments

- **Stabalisation of fiscal situation and repairing the banking sector**
- **Export-driven growth: value creation**
- **SCM has a key role to play in this: customer service and cost**
- **Integration and alignment are central elements**
- **Standing still = falling behind**
- **Innovation in all aspects is the key to survival**
- **Knowledge-intensive: the role of people and education**

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***Logistics Ireland 2010***

**19<sup>th</sup> October 2010**

**Crowne Plaza Dublin-Northwood**