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# Why You Need to Think Supply Chain Management

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**University of Naples “Parthenope”  
Graduation Ceremony 2004**



**Pan-European Logistics and SCM  
Challenges:  
Towards an Integrated Approach to Supply Chain  
Re-engineering**

**Edward Sweeney, Director of Learning**

# Agenda

- **Context**
- **Characteristics of SCM excellence**
- **How do Irish companies measure up?**
- **SC re-engineering**
- **Concluding comments**

# The Evolving Strategic Context

- **Internationalisation (or globalisation) of supply chains**
- **Vertical disintegration**
- **Changing role of the SC in strategic differentiation**

# The Irish Context: importance of SCM

- 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 often part of a global supply chain
- Can manage 'virtual' supply chains from Ireland

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- SCM a senior management function because *SCM is a strategic activity*
- Establishment and measurement of supply chain KPI's because *what gets measured gets done!*

# How Do Irish Companies Measure Up?

- Approximately 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
- Less than 10% have a formal SCM position
- Few companies had clearly defined SCM KPI's

# 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



# Re-engineering Supply Chains

- **Re-engineering = analysing + planning improvement + implementing improvement**
- **There is no “magic” solution**
- **Beware of copying inappropriate solutions**
- **BUT!**
- **There is a logical and systematic way of addressing the issue**

# Understanding Customer Service

A diagram consisting of two white rectangular boxes with black outlines. The left box is a large arrow pointing to the right, containing the text 'Market Driven Customer Service Strategy'. The right box is a standard rectangle containing the text 'Performance Specification for Integrated Supply Chain Management'. The arrow's tip points directly into the left side of the second box, indicating a causal or sequential relationship between the two concepts.

**Market Driven  
Customer  
Service  
Strategy**

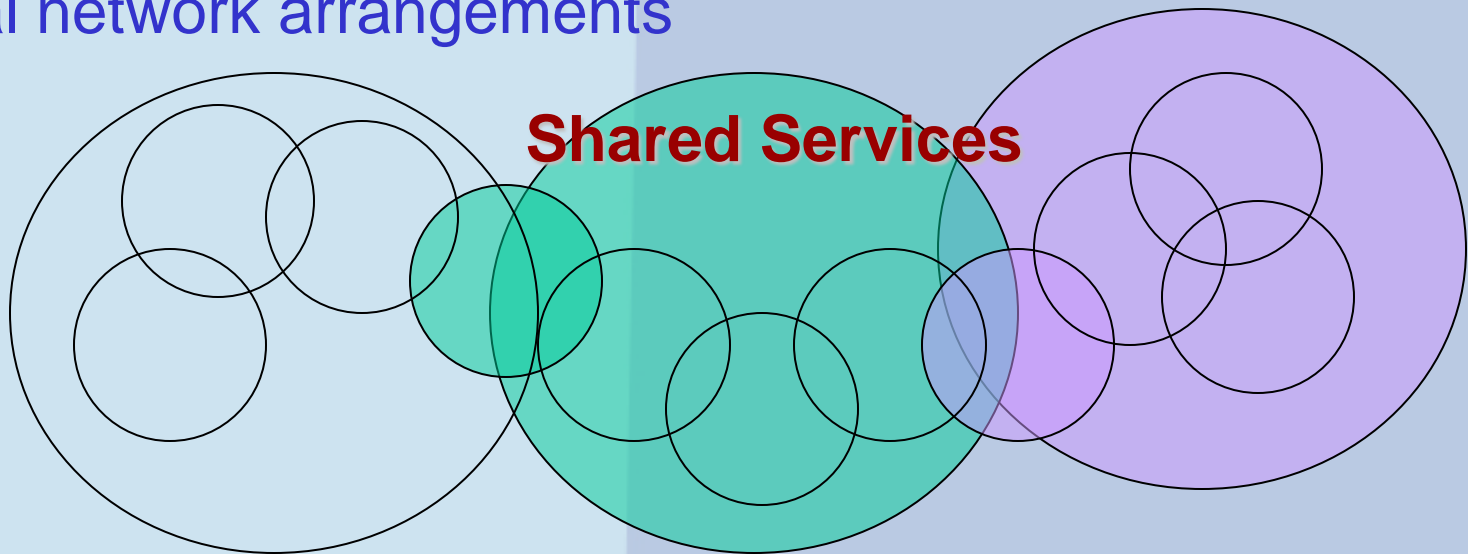
**Performance  
Specification for  
Integrated Supply  
Chain Management**

***The basis of effective re-engineering and change***

# Supply Chain Organisation

The organisational shape of the future?

Internal network arrangements



External network arrangements

***Think process and effectiveness NOT function and efficiency***

# Technology: the great enabler?

- Key role as an integration enabler
- Piecemeal and tactical approach to integration and to IT/IS development
- Multiple standards, processes and platforms
  - Internally
  - Across the supply chain

# Does IT Matter?

## Information Enablers and Drivers

Most IT solutions are no longer likely to provide strategic advantage, but simply the business basics (*IT is imitable*)

The competitive advantage for companies will originate from developing creative information technology strategies and implementing them superbly

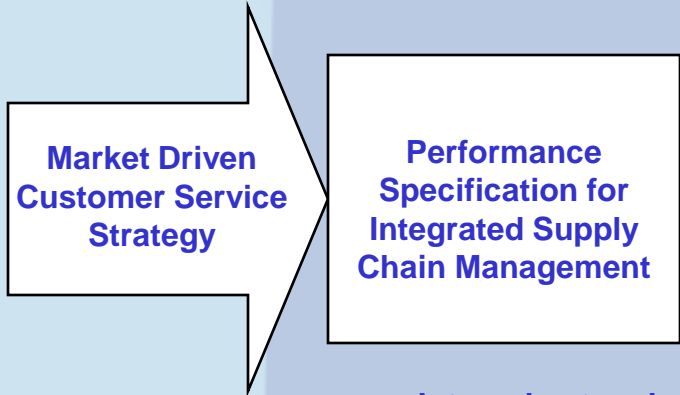
***Focus on process and people NOT on systems and hardware***

# Supply Chain KPIs in World Class Companies

- relates to company strategy (and stakeholders)
- incorporates non-financial measures
- limit the number of measures
- measures change over time
- measures simple and easy to use
- fast feedback to staff
- “learning” experience

***KPIs: the only rational basis for continuous improvement***

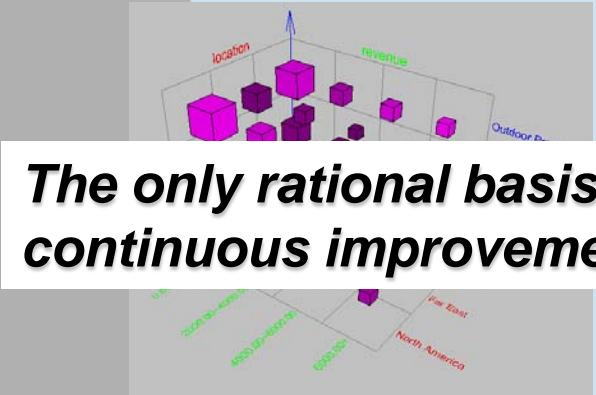
# Towards A Supply Chain Re-engineering Roadmap



Internal network arrangements

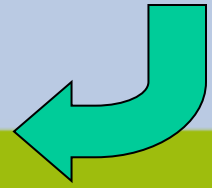
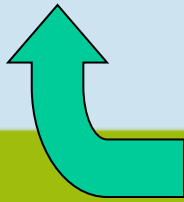


External network arrangements



**The only rational basis for continuous improvement**

**Focus on process and people**



# Cultural Capability Change Management

## Prerequisites for change

**Prerequisite One: - Pressure for Change**

**Prerequisite Two: - Clear Vision for Change**

**Prerequisite Three: - Capacity for Change**

**Prerequisite Four: - First-up Actions**



# Final Thoughts for the Day

- **Standing still = falling behind**
- **Innovation in all aspects is the key to survival**
- **Remember that most innovation is a series of small steps**
- **Re-engineering must focus on service delivery, integration, organisation and performance measurement**
- **People and learning are critical success factors**