

Building Links For Company Chains

Supply chain management (SCM) has gained increasing prominence in recent years. It is an approach which is being viewed by companies in many sectors as a key source of competitive advantage.



Companies need to cut back on costs by implementing non-value adding activities in their supply chain management strategies

In order to win in today's marketplace companies must improve productivity while lowering costs and bringing quality products to market quicker than ever before. According to the IDA, innovative and effective Supply Chain Management (SCM) is the key to gaining competitive advantage, reducing costs and making your company more profitable. Over the past ten years Ireland has become the location of choice for multinational's Supply Chain Management projects as they seek to maximise best practice across their organisations. Management skills readily available in Ireland include: procurement, sales forecasting, inbound and outbound transportation production planning, inventory management, ware-

***"Key
drivers are
continuing
globalisation,
outsourcing
and vertical
disintegration"***

housing customer service and, sales order processing. Effective Supply Chain Management projects in Ireland enable companies to realign their international operations to achieve the optimal business and tax structure.

A Key Enabler of Competitive Advantage

Edward Sweeney, Director of Learning NITL says the key drivers of supply management in Ireland are continuing globalisation, outsourcing and vertical disintegration. "There used to be an orthodox thinking for many years that you can source any product worldwide but now this assumption has been challenged due to the unfavourable global economic environment at the mom-

ent. Companies have major problems with transport issues and distance is something which needs to be managed when transporting goods. This allows speedy product development and fast delivery services with lower costs," he said. Sweeney says outsourcing is an increasing strategy being used as companies as brand owners no longer competing against each other but rather their suppliers are competing against the competitors suppliers. "If you look at all sectors from medical devices to the food industry to automation, these manufacturers are completely reliant on their suppliers. It has become very difficult to define the boundary between the larger manufacturer and the smaller supplier. The supply chain manages



Edward Sweeney, Director of Learning, NITL.

the manufacturer and vice versa.”

Firstly, Sweeney continued, the objectives of SCM are to meet or exceed the required or demanded customer service level in targeted markets/segments and to optimise total supply chain investment and cost. Customer service requirements, dictated by the market place, “set the spec” for the supply chain. Achieving this level of service at the optimal cost focuses attention on the elimination of “non value adding activities” (NVAs) throughout the supply chain. Secondly, every product or service is delivered to the final consumer (the only source of “real” money in the chain) through a series of often complex movements between companies which comprise the complete chain. An inefficiency anywhere in the chain will result in the chain as a whole failing to achieve its true competitive potential. The phrase “supply chain” is used to

***“Supply
chain
management
means
thinking
beyond the
established
boundaries”***

indicate that the chain is only as strong as its weakest link.

Internal and External Supply

According to Sweeney, the supply chain shows materials flowing from raw material source through the various stages in the chain to the final consumer while money then flows back down the chain. Every link matters and that value is added, and profit generated, at each link along the way. Most businesses can be described in terms of the five functions buy, make, store, move and sell - known as the internal supply chain. Traditionally these functions have been managed in isolation, often working at cross purposes. Supply chain management means thinking beyond the established boundaries, strengthening the linkages between the functions, and finding ways for them to pull together. A recognition that the whole is greater than the sum of the parts calls for more effective integration between purchasing and procurement (buy), production planning and control (make), warehouse management (store), transport management (move) and customer relationship management (sell). For a supply chain to achieve its maximum level of effectiveness and efficiency, material flows, money flows and information flows throughout the entire chain must be managed in an integrated and holistic manner, driven by the overall service and cost objectives. It can be argued that managing the information flows is the most critical of these activities. This is because the flow or movement of materials or money

is usually triggered by an associated information movement. Effective management of material and financial flows is, therefore, predicted upon the effective management of the related information flows. For this reason, information and communications technology (ICT) is becoming an increasingly important SCM enabler.

Successful Partnership Drives Supply Chain

SCM needs to be a ‘win-win’ game based on partnership. “The interactions between the key “internal” supply chain functions of buy, make, store, move and sell, as well as to relationships between an organisation and its external customers and suppliers,” Sweeney says. “The pressures imposed and opportunities afforded by globalisation, the open nature of the Irish economy and recent developments in ICT mean that SCM has a critical role to play in both the medium and long term. Looking over the horizon, one of the keys to industrial success for any country will be its managerial competence in advanced SCM skills. This is especially true of developed economies such as Ireland where there is an increasing trend to outsource lower function manufacturing processes to lower cost locations but to retain high skill functions - such as research, design, marketing and sales - at the primary base,” he concluded. To maintain success in the global spectrum, manufacturers need to realise how important their supply chain management system is for the longevity of their business.