



# Supply chain is the priority

By Leslie Faughnan

**A**cross the global supply chain landscape, the drivers are cost reduction and improved profitability through efficiency. This is, of course, where the importance to Ireland arises, since our edge-of-Europe island location adds transport time and costs to all movements of goods.

Recognition of this challenge led to the establishment of the National Institute of Transport and Logistics (NITL) in 1999, as Ireland's centre of excellence in the field. Based at the Dublin Institute of Technology, NITL was established as a result of a Forfás report, World Class to Serve the World.

NITL aims to heighten awareness of supply chain management (SCM), increase the pool of professionals in the area, and provide a strategic source of expertise and knowledge. The overall aim is to gain competitive advantage for Irish companies, especially exporters – since Ireland exports 83 per cent of its production.

“Companies are increasingly focusing on what they regard as their core activities or competencies,” said Edward Sweeney, director of education, NITL.

“The corollary of this is that activities regarded as non-core are being outsourced. The trend towards business globalisation has, in turn, led to the outsourcing of various activities to overseas locations, especially in manufacturing.”

In the electronics sector, the trend is one of original equipment manufacturers (OEMs) outsourcing to contract manufacturing companies. Companies in the electronic manufacturing services sector, such as Flextronics, Foxconn and Celestica, have grown rapidly as a result.

A major driver is that access

to lower cost manufacturing worldwide is now possible. The Chinese economy has been growing rapidly, and attaining pre-eminence in global manufacturing in certain sectors. Similar trends have occurred in eastern Europe.

“All of this has resulted in a shift away from the traditional model of control through ownership,” Sweeney said, “and towards business based on control, through effective supply chain relationship management.”

“Recent developments in ICT [information and communication technology] have facilitated this process and laid the foundations for the network economy model.”

As outsourcing of manufacturing and other elements of supply chain functionality takes place, so supply chain architecture is becoming more global and more virtual, and their management more complex. In this environment, SCM has become a key business process.

## Key elements of SCM

Sweeney emphasised some key elements of SCM thinking:

■ There is a need to focus clearly on customer service issues, in particular the speed of response to customer requirements.

■ Markets have become more sophisticated and customers more discerning, so manufacturers need to understand ‘mass customisation’, as opposed to the ‘one size fits all’ perspectives of the mass production era.

■ Intra-company integration of the constituent elements of supply chain functionality requires strong management focus.

■ Effective information management, facilitated by recent developments in ICT, is important in improving overall supply chain performance.

■ Managing relationships with external parties which perform key supply chain roles has become centrally important.

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