# BEST BUSINESS

## MANUFACTURING & SUPPLY CHAIN

# Smart people make smart systems

There has been rapidly accelerating development of very smart systems in supply chain management trade in recent years. High levels of automation have been combined with deeper analytical capabilities to improve efficiencies and profitability, while reducing friction and costs across the supply chains.

In that context, it is all too easy to forget that commerce and supply chains are fundamentally all about people, in the view of Edward Sweeney, director of learning at the National Institute for Transport and Logistics (NITL) and a recognised international expert.

"Customers are people," he said. "Suppliers are people. Supply chain planning and execution are undertaken by people. The people dimension, the 'soft wiring', cannot be neglected. In fact, experience suggests that getting the people aspect right is the single most challenging issue."

"Today, it is arguably the most effective supply chains that compete with each other and not individual companies. Developing collaborative working relationships between supply chain firms is now a critical issue. SCM is about moving away from traditional customer-supplier relationships towards genuine partnerships."

As supply chains become more complex, their management is increasingly dependent on highly sophisticated software tools.

"Developments in enterprise resource planning [ERP] are an excellent illustration of the trend," said Sweeney. "The concept of ERP is management through a single integrated system. There is considerable evidence that the



**Edward Sweeney, director of learning at NITL**

implementation of ERP applications such as SAP, JD Edwards, Oracle and Movex and others has resulted in significant improvements in the performance of multinational companies across various business sectors."

The current trend is based on trying to build on these benefits by applying a similar logic across the wider supply chain through the adoption of so-called extended enterprise solutions. "These solutions, sometimes known as XES or ERP-II, use a similar transactional backbone to traditional ERP, but extend the scope beyond the confines of a single firm. 'From the supplier's supplier to the customer's customer' is the useful phrase," he said.

NITL's analysis of world-class supply chain organisations indicates that those companies that are performing well are successful in terms of linking the two dimensions, systems and people. "Many of the recognised global leaders in SCM have operations in Ireland, notably Apple, PepsiCo, IBM, Microsoft and J&J. They all illustrate this thinking very well," said Sweeney.

"They have all placed a strong focus on investment in supply chain ICT and other enabling technologies. But a strong emphasis also exists on the soft-wiring dimension, as evidenced by the focus on building internal and external partnerships; developing a culture of trust and transparency; real employee involvement in supply chain decision-making; and investment in supply chain learning."

"Businesses can have the best supply chain technologies, methodologies and analytical techniques in the world, but they will never be able to fully exploit these without the right people with the right knowledge, skills and competencies. Improving supply chain performance and shareholder value is about that winning combination of people and systems."