

# Supply Chain Management

A SPECIAL REPORT

## Putting the ethical initiative to good use

SANDRA O'CONNELL

IF YOU'RE trying to promote a healthy, clean-cut sporting goods brand, the last thing you need is the spectre of child labour to tarnish it. As corporate and social responsibility (CSR) gains traction, more and more companies are keen to use "ethical" initiatives as a tool for competitive advantage. Nowhere, as Nike knows, is this more important than in supply chain management.

"Ethical supply chain management, particularly the 'greening' of the supply chain, is now a major issue," says John Whelan, chief executive of the Irish Exporters Association. "What it means in practice is looking at the impact of every one of your supplier companies, looking at the carbon footprint they incur in getting their goods to you, and looking at issues of sustainability as to where they supply their raw materials."

It's then a question of asking each to consider providing greener alternatives.

"You might ask them to look at alternatives to polystyrene packaging and they'll come back and ask whether you are willing to accept a higher level of breakages likely to arise from the use of alternatives," says Whelan. "It's then a question of negotiating the best way forward from there."

It's a trend which is picking up steam in all parts of the supply chain, including the transport and logistics sector. Just last month, Belfast Port scored a coup by announcing it had become the world's first harbour authority to be accredited as carbon neutral.

"Across the board, from port facilities to haulage companies to shipping lines, all are working towards becoming carbon neutral," notes Whelan.

There are sound commercial reasons for doing so. "Initially when a company looks at greening its supply chain, it seems as if costs will go up. In fact, they ultimately go down."

In particular, being environmentally aware can help cut energy costs. "Right now the cost of fuel is rocketing, and ethical supply chain management means looking not just at more fuel-efficient methods of production, but the moving of raw materials and the disposal of waste afterwards too," says Whelan.

"What's more, those small firms or suppliers who go into it early, who can go to their customers and say 'we can help you reduce your carbon foot print', will have a terrific competitive edge."

"Ethical supply chain is a huge topic right now, but the single biggest driver of it is oil prices," says Edward Sweeney, director of learning at the National Institute for Transport and Logistics. "A lot of things that firms took for granted, such as the outsourcing

of labour to lower-cost locations, are all of a sudden not so viable anymore, which means we might see a trend towards the relocation of manufacturing."

"The economic logic that underpinned all those decisions to outsource to far flung places in the past 10 years has changed, but things were beginning to change already as companies became more aware of corporate social responsibility (CSR) issues relating to environmental degradation or child labour," adds Sweeney. Such concerns weren't entirely altruistic, however. "Rather they were a response to increased consumer knowledge of such issues," he says.

However, the real litmus test as to how committed firms are to ethical supply chain initiatives is how they fare in a downturn. "My fear is that it may prove to be a luxury issue of concern only when times are good," says Sweeney.

The indicators are good. PricewaterhouseCoopers, a professional services consultancy, recently surveyed procurement executives from some of the largest retail and consumer companies in eight countries.

More than half referred to environmental issues, including carbon footprint, as a factor when considering new sourcing strategies or locations.

"This is indicative of the increasing focus on the environment as companies consider the future of their sourcing strategies," says Bartley O'Connor, associate director, PwC Strategy Advisory Services.

Nigel Devenish, however, commercial director of DSV, a transport and logistics company, believes it is consumers who will ultimately have the power to foster ethical supply chains. And they'll do it by voting with their wallets.

"If they want strawberries picked fresh and transported from Morocco in winter time, they'll have to be willing to pay a premium for them."



Bartley O'Connor, associate director, PwC Strategy Advisory Services

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## Looking at Ireland's Dependency on Quality Logistics Services

As an island nation Ireland is more dependant than many nations on high quality links and service operators in the country's supply chain

As an island Ireland is heavily dependent upon its infrastructure, however without efficient logistics management the benefits are restricted; on-time delivery systems are hard to manage with congestion, however greater achievements can be made by integrating transport services rather than simply increasing traffic speed. DSV is the prime example – with DSV Road, which has 15,000 trucks on the European roads everyday, and DSV AirSea – this allows DSV Solutions to design solutions through its partner divisions and meet the demanding needs of supply chains for its Irish & European customers. Innovative supply chain management concepts is generating interest as cost pressures on clients mount, the demand for logistics solutions that combine commercial flexibility and continuous performance improvement allied to the more established buying criteria is increasing. These are often consultancy led propositions that take customer relationships to a more strategic level that offer the scope for step change improvements through lower cost and enhanced service and product availability. Explains Nigel Devenish, Commercial Director, DSV Solutions Ireland who advise leading indigenous and international companies on a range of transport & logistics matters.

One of the outstanding reasons for the high quality services offered by DSV Solutions is the experience & expertise of their 300 Irish staff. DSV employees examine each customer's requirements individually with a focus on achieving results.



DSV Ireland are a global player in supply chain solutions.

Service offerings include Supply Chain Management, third & fourth party logistics, reverse logistics, consultancy services, warehouse design, preparation & value adding services, cross-docking and full island of Ireland direct distribution. DSV Solutions help clients with the introduction of Supply Chain technology, and the adoption of new systems for clients can often be a complex process. "The choice of solutions has to match the needs of the operation," continued Nigel Devenish. "We seek both a technology tool and a partner we can work in collaboration with to deliver an optimum solution. DSV can add value to those customers seeking efficiency & effectiveness in the Irish market & across the world." The acquisition of Roadferry Holdings Ltd has enabled DSV to become market leader in the vital market between Great Britain & Ireland; simply proving how the company is going from strength to strength. More



To keep the economy alive, it is more important than ever to make it easy to get goods and services on and off the island of Ireland. Photograph: iStockPhoto

## Fostering links to encourage trade

After more than a decade of boom, the barriers to growth in trade remain the same: poor infrastructure, fuel prices and traffic congestion. Tim O'Brien reports

TO MARKET, to market – the goal has always been about getting goods to market. We live on an island, off an island, off mainland Europe. For more than a decade, while the Irish economy defied all growth predictions, we sweated our air and sea ports, our roads and our railways. But now, to keep the economy alive, it is more important than ever to make it easy to get goods and services on and off the island.

More than a decade since the boom took off in the mid-1990s, the crucial factors about capacity and connectivity are still the same. Just getting to the island's

regional cities is a work in progress. The inter-urban roads programme, connecting Dublin to Waterford, Cork, Limerick, Galway and the Border is scheduled to be complete by 2010. And while all of the contracts are currently under way, all of these roads lead to Dublin, and connections between the cities themselves are something of a work in progress.

We are still some distance from completing Euroroute One – the motorway envisaged from Larne, Co Antrim to Rosslare, Co Wexford. Yet few routes could be more important.

According to a March 2008 report from the all-Ireland body IntertradeIreland, growth in containerised trade through Irish ports has increased by 125 per cent in the last decade to 2,006 units, while numbers of Roll-On, Roll-Off vehicles increased by 70 per cent, the majority of it on the busy eastern seaboard.

But whether it is Cork, Shannon, Rosslare or Dublin, once on the island, problems of congestion come into play. While we have developed the Dublin Port Tunnel and are busily expanding the M50, we seem to be constantly playing catch-up. Edward Sweeney, of the

National Institute for Transport and Logistics, believes the investment in infrastructure – which runs to about €20 billion on the major roads alone – has barely kept pace with the growth of recent decades. He warns that with a faltering economy, it is now more important than ever that capacity issues be addressed.

One of the main findings of the IntertradeIreland report is that in order to break this cycle of catch-up, we should develop a system of forecasting capacity and demand with some certainty for the coming years.

John Whelan, chief executive of the Irish Exporters Association, agrees. He decries the uncertainty over Dublin Port, pointing out that both the Minister for Transport Noel Dempsey and the Minister for the Environment John



'Why can a single department not identify an integrated solution?' John Whelan, IEA chief executive

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Gormley have set up committees to examine future options for Dublin Bay. People are being asked to make investment decisions, he says, and they don't have basic information on Government policy.

He is also frustrated by the recent rejection by An Bord Pleanála of expansion plans at Ringaskiddy. Among the board's reasons were the lack of rail freight to the port and poor access to the N28. But Whelan says that these are issues under the control of the Department of Transport, and he wonders why a single department could not identify an integrated solution.

Air and sea ports are the focal points through which we connect with the global economy. They need to be efficient and importers/exporters need to know that capacity issues at Dublin Airport and the city's docklands will be sorted.

The shipping industry is awaiting sight of the Harbour (Amendment) Bill 2008, which is to reorganise management of the ports. Even when decisions are made, there is inevitably a delay of some years between approval being given for a major new port

facility and the time when it becomes fully available.

In such an environment, business efficiency can be critical and some businesses are better than others at managing distribution inside Ireland. The major supermarkets – like Tesco and Marks & Spencer – and industrialists such as Dell have well worked out supply chain logistics, because they have to. We expect, for example, the same level of produce and the same prices in Tesco in Ballina, Co Mayo, as we do in Belfast or Waterford.

Centralised distribution systems used to be all about rail freight – but all freight was completely wound down in Northern Ireland in 2003 and in the south it accounts for less than 2 per cent of freight movements.

Barry Kenny of Irish Rail says the vast majority of freight journeys from Dublin Port end within Leinster. Coillte and Tara mines are among the last few users of rail freight.

But there are attitude problems too. While IntertradeIreland has recommended a maximum height for lorries, based on the British standard of 4.95 metres, former taoiseach Bertie Ahern famously –

or infamously – told the haulage industry the State didn't want such lorries. They should, he said, be turned around in the port and sent back. And so the height of Dublin Port Tunnel is set in stone at 4.65 metres, meaning more lorries on the roads, with more congestion and more carbon emissions.

The Irish Road Haulage Association is currently in discussions with the Government on another big problem caused by periphery; fuel prices.

In recent years, the Government gave excise duty concessions and grants to encourage the take up of biofuels.

Then, after considerable investment by hauliers, the Government has announced it is rethinking the strategy in light of the "food or fuel" debate in relation to biofuels.

Jerry Kiersey of Green Tiger Express is one of those who has invested heavily in engine conversions, only to be hit by the Government's dithering. There is enough spare capacity on lands which could be used to grow sugar beet to provide fuel for 5,000 lorries, he says. It would give farmers an alternative source of income, lower carbon emissions and provide certainty of supply and a buffer against rising fuel prices.

Ultimately, while we have an expanded economy, the problems remain just as they were in the mid-1990s.

The most serious logistics issues faced by Ireland are: periphery; inadequate infrastructure; fuel prices and traffic congestion.

## IT key to keeping supply chain on track

Tracking goods is essential for supply chain success, and maintaining the most up-to-date sources is becoming increasingly critical for business, writes Emmet Ryan

INFORMATION IS crucial to maintaining efficiency in a supply chain and information technology (IT) has a strong role to play in delivering this data.

In order for a supply chain to be at its most effective, businesses need to have accurate real time information.

"The key to a successful supply chain is having end-to-end data. This enables firms to track goods in real time," says Barry Collins, sales director at PCH.

Technologies like enterprise resource planning (ERP) and customer relationship management (CRM) systems are providing businesses with access to this information. "ERP plays a central role in supply chain management (SCM)," says Padraig Henry, IT director at SerCom Solutions.

Henry says an ERP system acts as an information hub within a supply chain: "ERP allows suppliers and customers to share real time information."

As the data is delivered in real time, firms can use what an ERP tells them to better manage inven-

tory and reduce overall stock. "When you have clarity it becomes a lot easier to manage the supply chain," says Henry.

With ERP platforms becoming increasingly popular with businesses, the potential for consolidation in the market is high.

Systems that are currently just offerings in the market may become the standard tools.

This in turn could lead to further growth in the sector as greater clarity is provided to firms in terms of finding the option that best suits a business.

IT is also aiding firms that are outsourcing many business functions. Businesses are now better placed to keep track of goods that are under the control of third parties.

"As companies turn over the manufacturing of key components and products to third party suppliers, if not properly managed they can lose visibility and control over key business processes," says Conor McNamara, consultant in Advisory Performance Improvement with Pricewaterhouse-

Coopers. "The need for a fully integrated technology solution across all supply chain components is essential in order to enable the business to make informed on-time decisions," says McNamara.

Essentially, it's all about data. Businesses need technologies that can provide information quickly in order to monitor the movement of goods.

Radio frequency identification (RFID) is one technology that is helping firms achieve this goal. This form of tagging, which could be roughly described as a high-tech form of barcodes, enables businesses to monitor the movements of individual goods.

For all the benefits tools like RFID bring to the table, these technologies are not the be all and end all of SCM. In order for a supply

chain to make the most of IT, businesses need to have staff that are able to manage this kind of technology.

"Systems are only a tool and like wars, are still won with soldiers on the battlefield, well-trained, motivated, mentored staff will continue to be the key driver to efficiency, accuracy and effectively driven supply chains," says Nigel Devenish, commercial director with DSV Solutions.

He says the system is a business implement to aid a supply chain. "ERPs and CRMs are and remain only a business tool; and they work extremely well when their application and execution is heralded from the top down," says Devenish.

"Used properly, they offer excellent value, but unsupported by key functional managers and their teams, the value is quickly dissipated."

Devenish says it is critical that businesses accept that there is no one-size-fits-all solution to SCM.

Some systems are right for some businesses, but in other cases, the technology just doesn't fit right.

"SCM technology has a key role to play in the supply chain, but it has to be 'fit for purpose' and not applied simply because it is just technology," he says.

Businesses need to understand the costs and benefits. Those seeking to use technology must



'When you have clarity it becomes easier.' Padraig Henry, IT director at SerCom Solutions

first know exactly what their own business processes are, and what exactly they want.

This is crucial, as some of the better-known SCM technologies are only currently suited to some businesses.

"The much-vaunted RFID clearly has a key role in today's market, but its cost allied to its key application will not cost-effectively fit the multifarious supply chain needs of today," says Devenish.

"It is not yet a panacea for all things that move."

While RFID has yet to become cost effective for many businesses, the technology has potential to benefit firms in the future.

"It could give us even crisper visibility," says Henry.

IT is also aiding firms that are outsourcing many business functions. Businesses are now better placed to keep track of goods that are under the control of third parties.