Chapter 6
Implementing Integrated Supply Chain Management

Dermot Carey
MRM-Global, Ireland

ABSTRACT

The concept of supply chain integration (SCI) has been widely set out in the academic literature in recent years. The advantages associated with the integrated approach have been articulated, as have possible approaches to planning for SCI. However, there is a dearth of literature in the area of SCI implementation. This chapter describes a piece of action research that aims to identify some of the critical success factors and inhibitors to success in relation to SCI. The action research was carried out in a complex hospital environment. Implementing anything that is new is typically met with resistance. Resistance to change is a natural response and the only way to get buy-in is to impress. That usually means presenting something of benefit and interesting. SCI in this regard requires that innovation is present in both concept and output. Innovative ideas, approaches and re-invention is a constant requirement for operational and strategic efficiencies. Similarly in SCI new and challenging ways must be incorporated into the implementation process.

INTRODUCTION

Integrated supply chain management (ISCM) is widely advocated and accepted as the desired best state for effectiveness and overall efficiencies in providing enhanced service levels and improved contribution or profit. However, for many organisations, despite their efforts to adopt best practice, supply chain management (SCM) principles and practices in reality remain an aspiration. The shortfall in reaching this objective is influenced by a number of obstacles and challenges, including the time to focus and implement the necessary elements. Furthermore, this can be exacerbated by
the lack of a clear method that encompasses the stakeholders’ interests both internal and external to the organisation. Too often responsibility for the implementation of the integrated concept is passed to the head of supply chain. This on top of normal everyday pressures is usually impractical. There is also an assumption that, because knowledge is understood, that the transfer is possible. This is not always the case as it involves many other vital skills including change management, process re-design, project management, innovation and communications. This chapter comments on some of the major aspects and key considerations of the implementation process. It will refer to a piece of action research on the application and implementation of integrated procurement and SCM in an acute public hospital in Ireland.

A hospital environment is a complex supply chain environment. Typical supply chain activities include dealing with emergency response times, life and death scenarios against a backdrop of public sector systems and traditions. The effective implementation of ISCM in this type of organisation encounters many of the challenges that may prevail in any other business sector. The study was initiated by the author, whose interest and motivation for the initiative was grounded in his belief that the application of ISCM principles would bring benefits to both the patient and the hospital. The project was breaking with tradition as it was the first time that a public acute hospital in Ireland challenged the traditional role of the supplies function. A traditional supplies role was mainly re-active in nature i.e. it responded to requests. Demand planning and forecasting was the exception and not the norm. Boardroom representation by SCM personnel was rare. Organisational structures and systems were fragmented and mainly administrative as distinct to strategic in nature. This is despite the fact that the annual spend on goods and services had a value greater than €50 million annually. When considered against this criterion alone one would think that the function would merit strategic attention.

This chapter highlights some of the key approaches to the application and implementation of ISCM systems and structures. The author is an advocate of the ISCM concept and has worked around the world with major organisations in delivering this objective. It is from this experiential perspective that some practical ideas are put forward.

To appreciate what is required to achieve an integrated procurement and supply chain system and structure the following equation is illustrative:

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\text{Integration} = (c^5 + p^1) \times 3DI
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For ISCM to be achieved, it requires an end-to-end process \((p^1)\) with the visibility and capability to communicate enterprise wide and evaluate options at each stage of the supply chain from demand to fulfilment. This will involve the introduction of change incorporating, consolidation, collaboration, classification and contracting methods \((c^5)\). These facets for supply chain decision making need to be further supported by three dimensional intelligence \((3DI)\) based software. The absence of any one of these vital elements will result in only a partial solution and perpetuate the fragmented model. The implementation challenges require the ability to provide intelligence for procurement and supply chain decision making. For this to have any commercial or corporate value, it requires innovativeness in the ability to transfer the integrated concept to all stakeholders and to obtain their buy-in. This is best achieved in the early stages in the form of incentivising the stakeholders through added value benefits. Added value can manifest itself in many different forms. However, it is vital to be able to demonstrate and measure these benefits for credibility and continuous support. Consequently all aspects presented in the formula are essential to build a process and communicate the benefits. Very often access to vital information is limited and cumbersome and can slow down the progress of integration and result in the loss of vital momentum.