

# INTRODUCTION

## Chapter One

# Strategy, Processes, and Analytics

- Operations and supply chain management involves
  - Product design
  - Purchasing
  - Manufacturing
  - Service operations
  - Logistics
  - Distribution
- Success depends upon
  - Strategy
  - Processes to deliver products and services
  - Analytics to support the decisions needed to manage the firm

# What Is Operations and Supply Chain Management?

- The design, operation, and improvement of the systems that create and delivery the firm's primary products and services
- Operations and supply chain management (OSCM) is
  - ▣ A functional field of business
  - ▣ Concerned with the management of the entire production/delivery system

# Operations and Supply Chain Processes

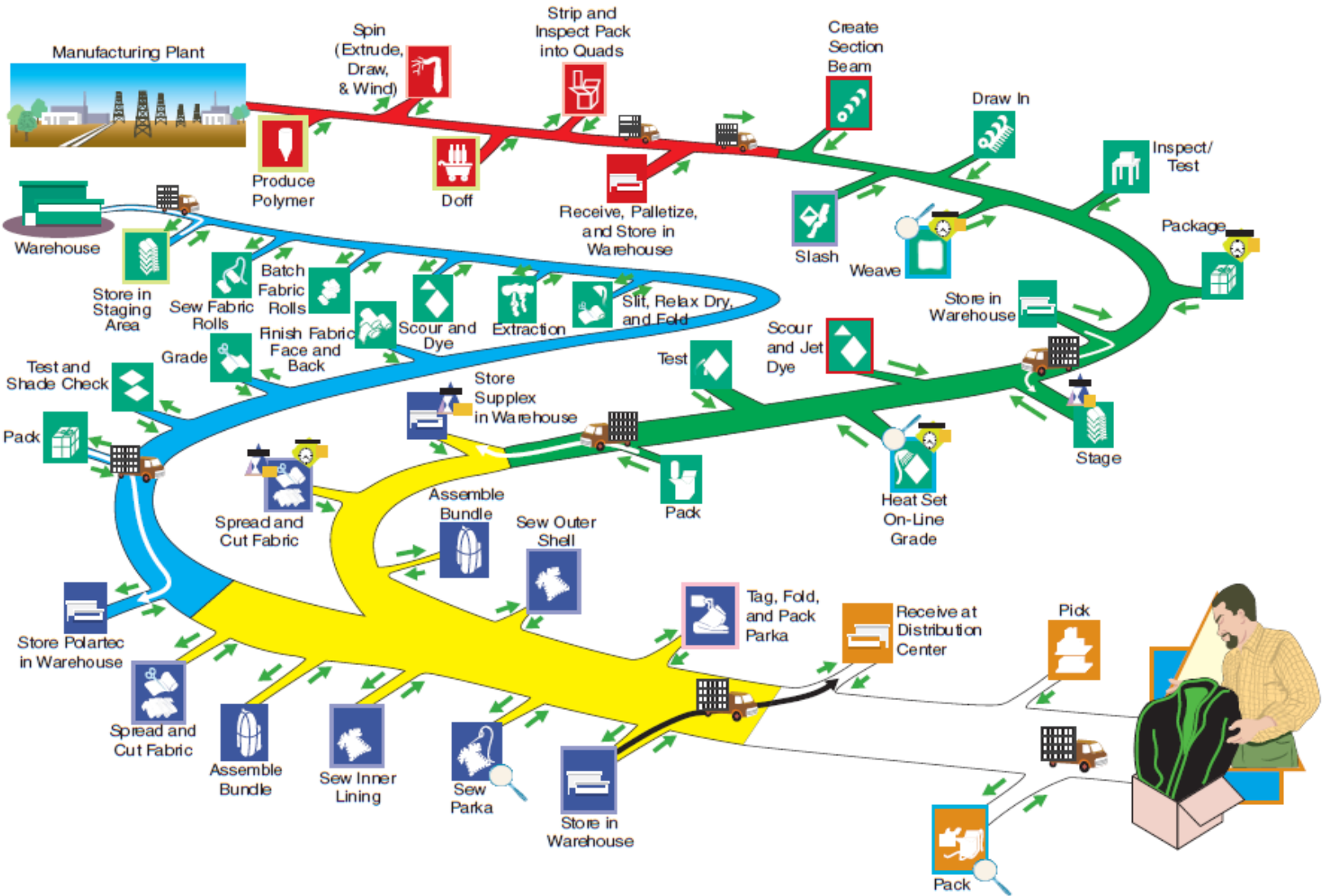
## Operations

Manufacturing and service processes used to transform resources into products

## Supply Chain

Processes that move information and material to and from the firm

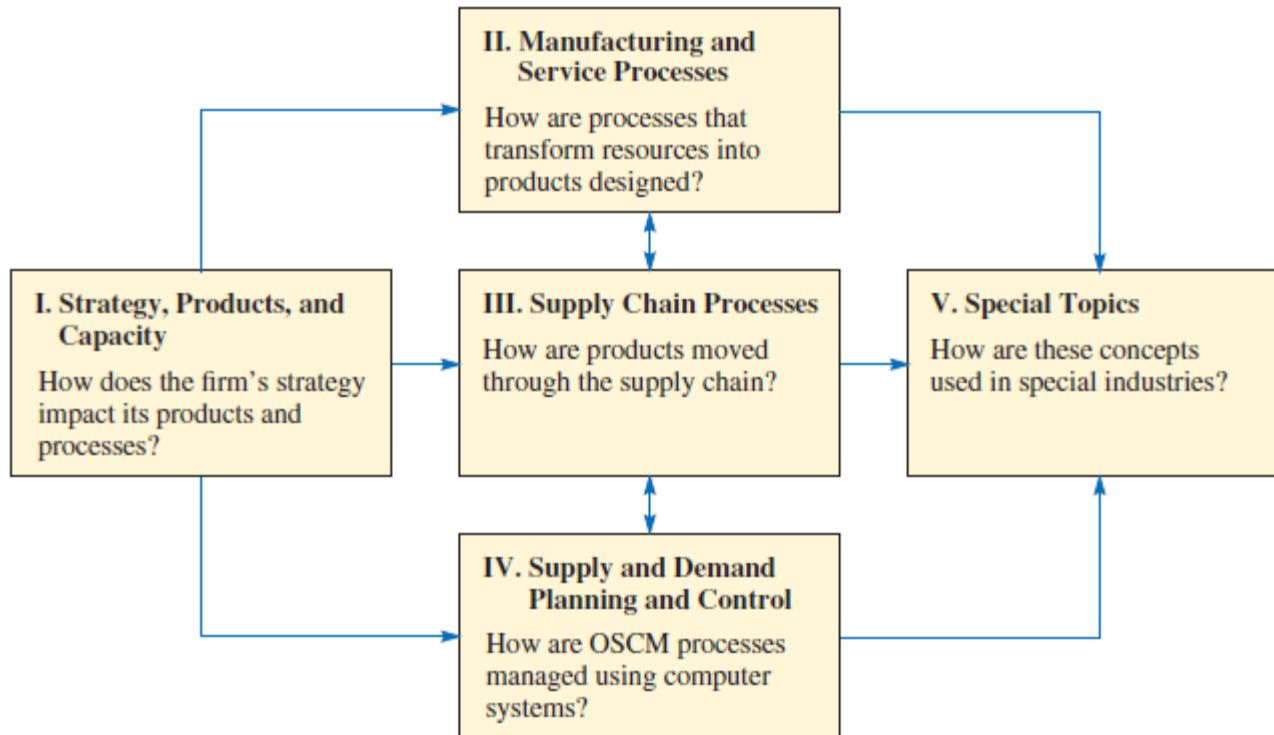
# Process Steps for Men's Nylon Supplex Parkas



# Each Section of OSCM: What Is Accomplished?

exhibit 1.2

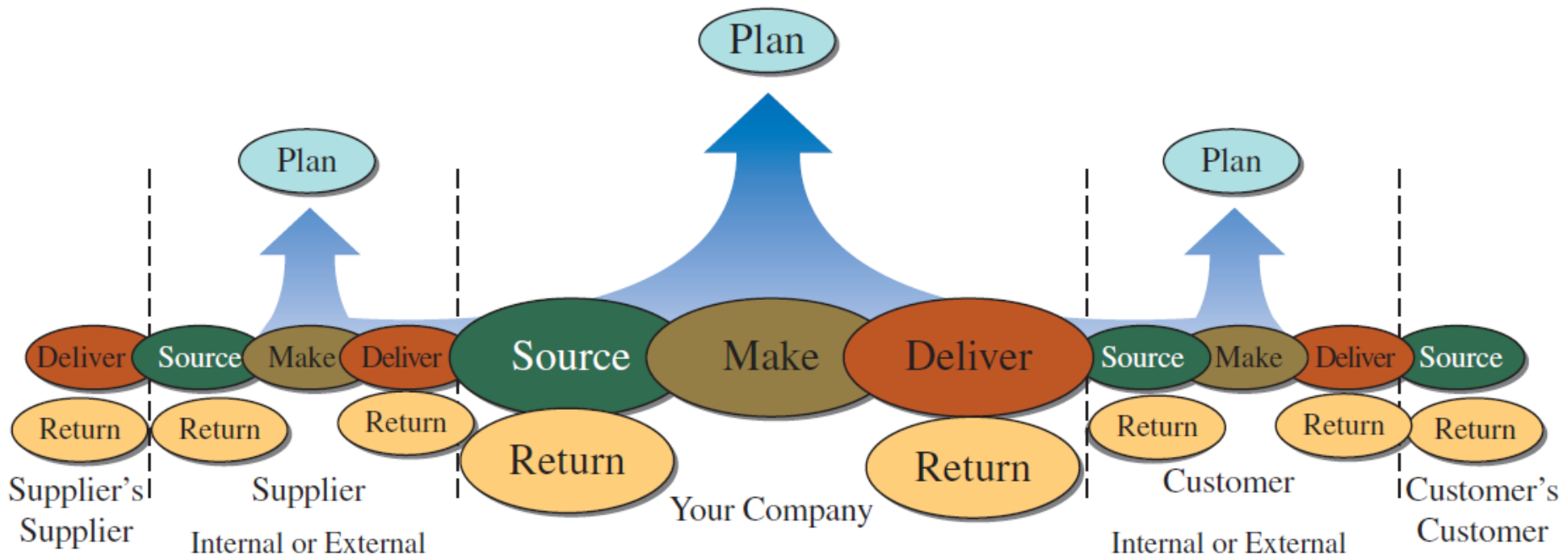
Questions Answered in each Section of OSCM



# Operations and Supply Chain Processes

Supply Chain Processes

exhibit 1.3



Source: Supply-Chain Council ([www.supply-chain.org](http://www.supply-chain.org)).

# Process Activities

- Planning – processes needed to operate an existing supply chain
- Sourcing – selection of suppliers that will deliver the goods and services needed to create the firm's product
- Making – producing the major product or service
- Delivering – logistics processes such as selecting carriers, coordinating the movement of goods and information, and collecting payments from customers
- Returning – receiving worn-out, excess, and/or defective products back from customers



# Goods versus Services



Pure Goods

Core Goods

Core Services

Pure Services

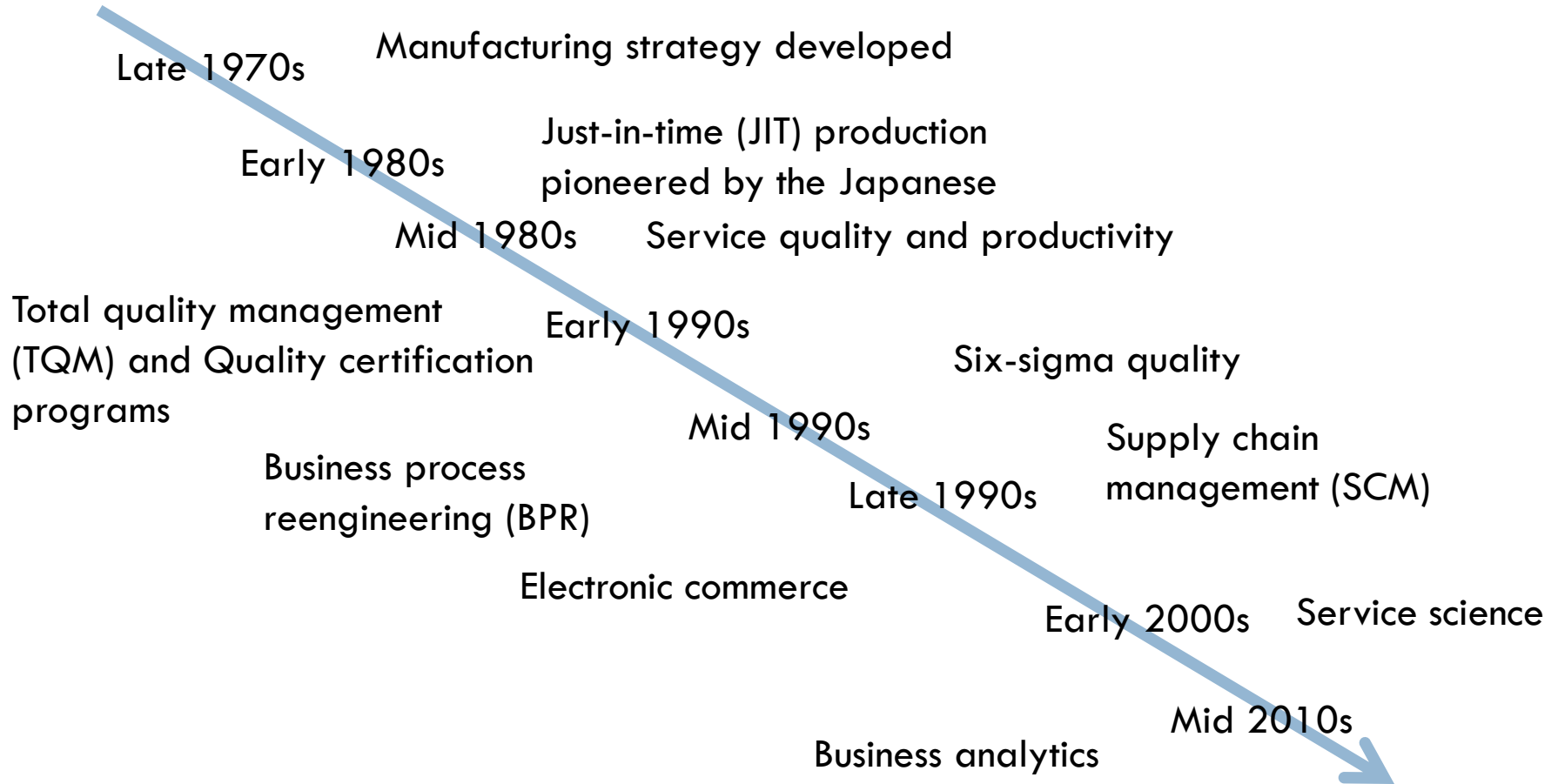
Tangible  
Less interaction with customers  
Often homogeneous  
Not perishable – can be inventoried

Intangible  
Interaction with customer required  
Inherently heterogeneous  
Perishable/time dependent  
Defined and evaluated as a package of features

# Careers in Operations and Supply Chain Management

Plant manager	Hospital administrator	Branch manager	Department store manager
Call center manager	Supply chain manager	Purchasing manager	Quality control manager
Business process improvement analyst	Lean improvement manager	Project manager	Production control analyst
	Facilities manager	Chief operating officer	

# Historical Development of Operations and Supply Chain Management



# Current Issues in OSCM

- Coordinating relationships between members of SC
- Optimizing global network of suppliers, producers, and distributors
- Managing customer touch points
- Raising awareness of OSCM as a competitive weapon
- Sustainability and triple bottom line

# Efficiency, Effectiveness, and Value

## Efficiency

- Doing something at the lowest possible cost

## Effectiveness

- Doing the right things to create the most value for your customer

## Value

- The attractiveness of a product relative to its cost

# Efficiency and Wall Street

- Comparison of firms is important to investors
  - From an operations and supply chain perspective, the relative cost of providing a good or service is closely related to earnings growth
- Management efficiency ratios
  - Labor productivity
    - Net income per employee
    - Revenue (or sales) per employee
  - Asset productivity
    - Receivables turnover ratio =  $\frac{\text{Annual Credit Sales}}{\text{Average Accounts Receivables}}$
    - Inventory turnover =  $\frac{\text{Cost of goods sold}}{\text{Average Inventory Value}}$
    - Asset turnover =  $\frac{\text{Revenue (or Sales)}}{\text{Total Assets}}$