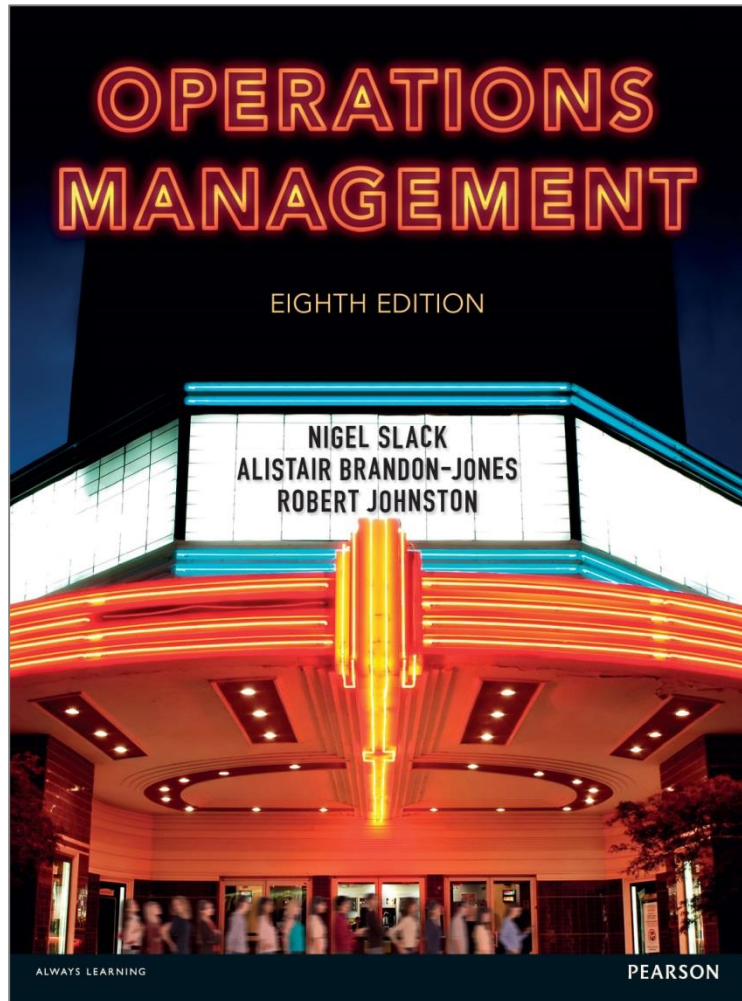


Operations management

8th edition



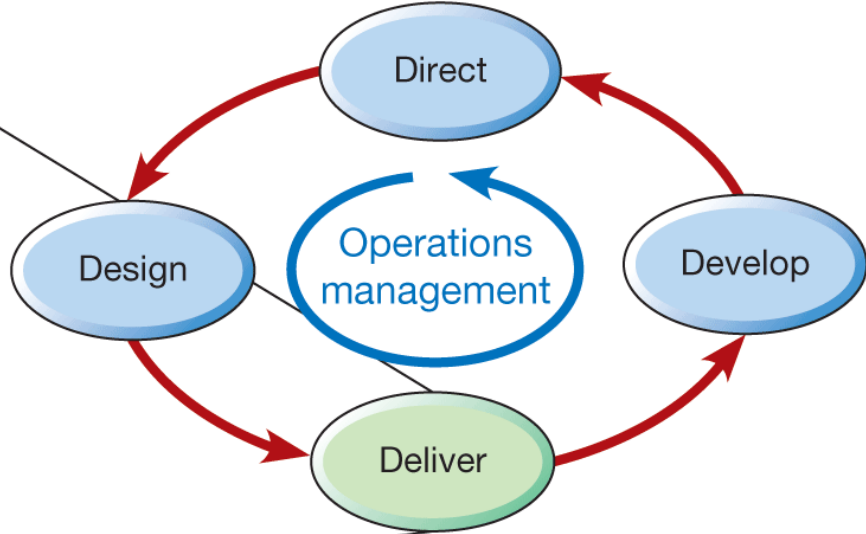
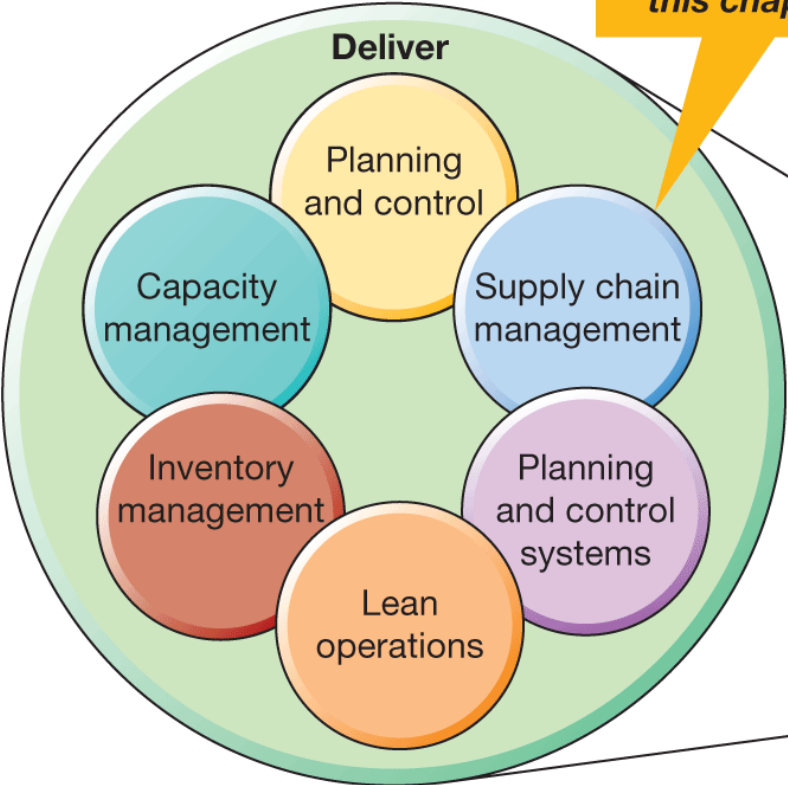
Chapter 12

Supply chain management

Figure 12.1

This chapter examines supply chain management

Topic covered in this chapter



Key questions

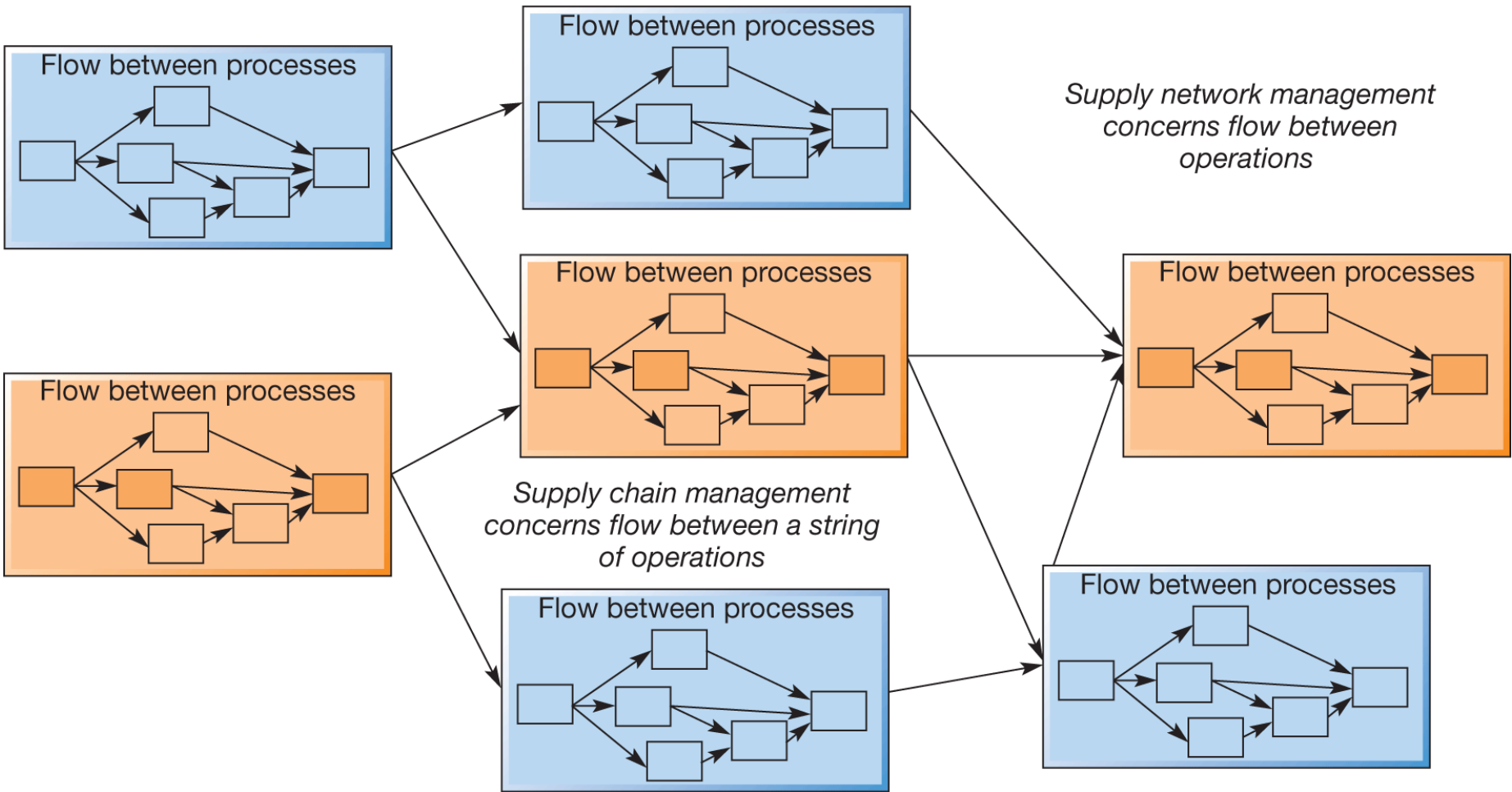
In Chapter 12 – Supply chain management – Slack et al. identify the following key questions...

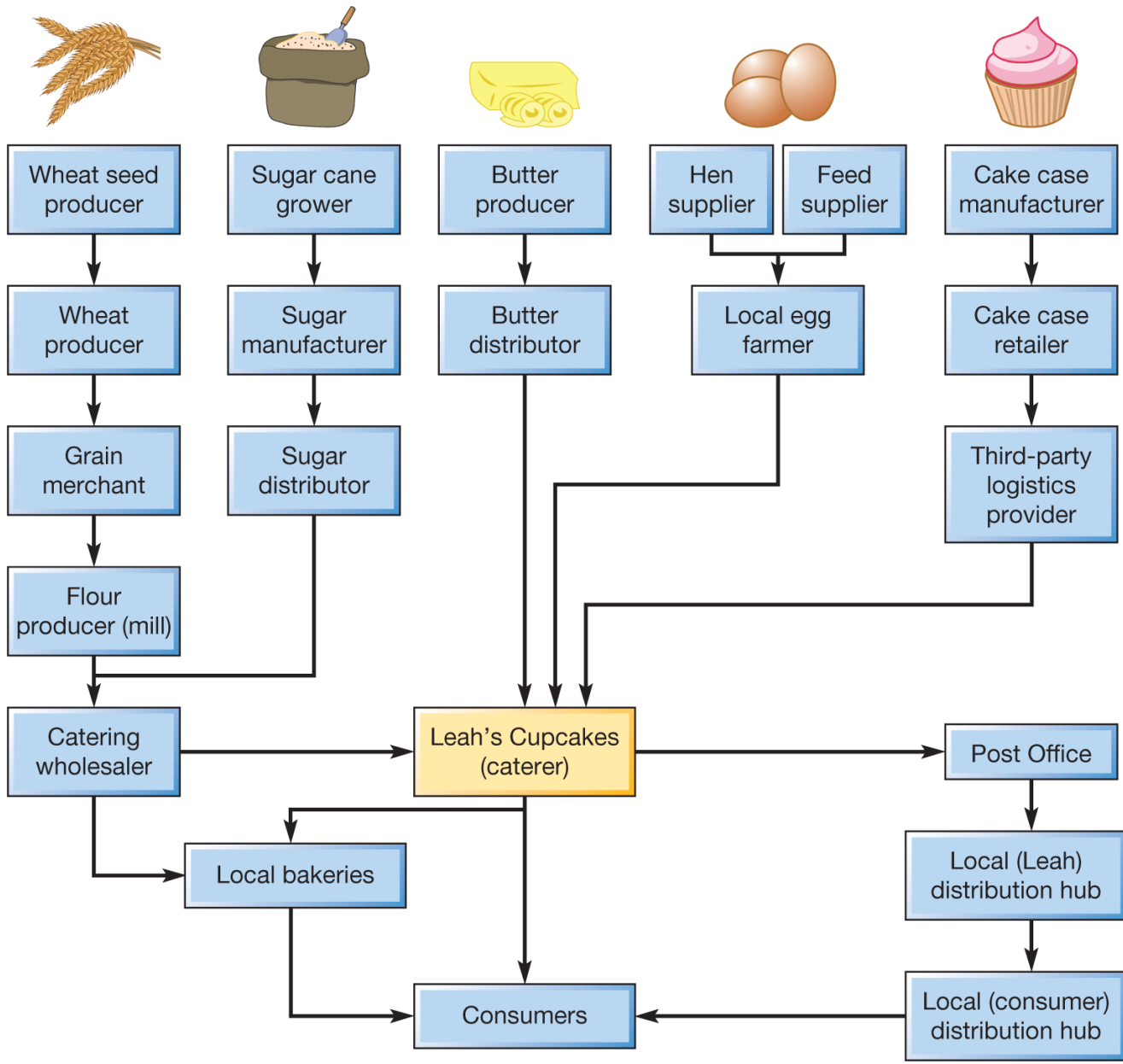
- What is supply chain management?
- How should supply chains compete?
- How should relationships in supply chains be managed?
- How is the supply side managed?
- How is the demand side managed?
- What are the dynamics of supply chains?

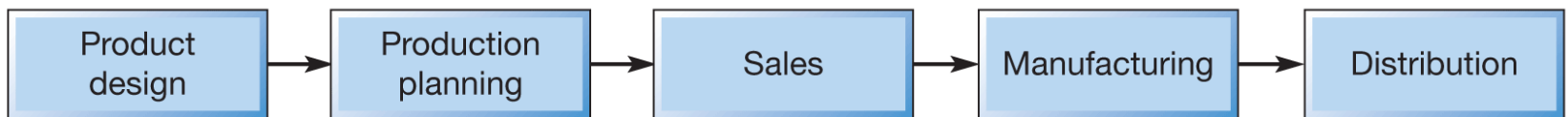
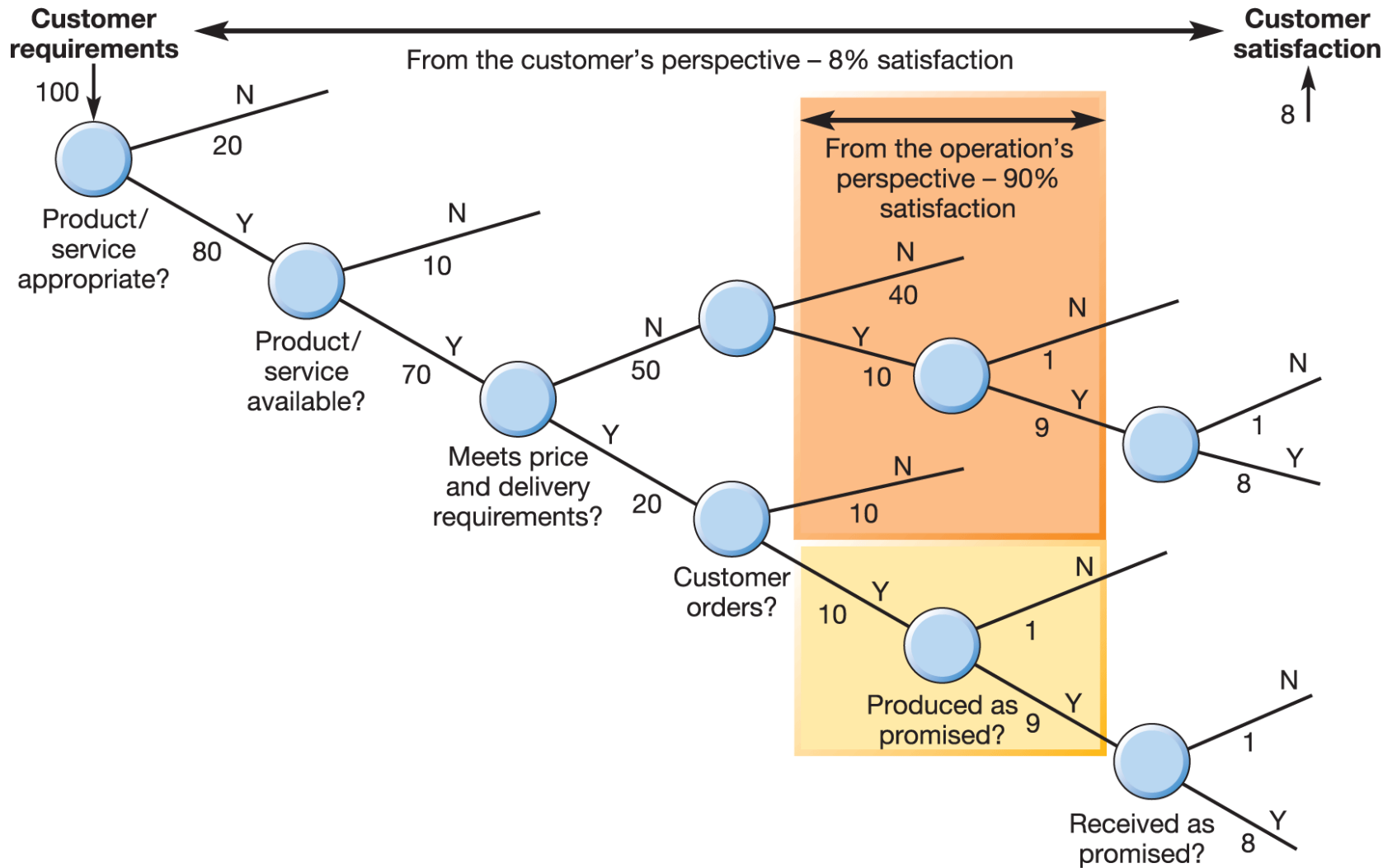
What is supply chain management?

‘Supply chain management is the management of the interconnection of organizations that relate to each other through upstream and downstream linkages between the processes that produce value to the ultimate consumer in the form of products and services’.

Supply chain management







Factors for rating alternative suppliers

Short-term ability to supply	Long-term ability to supply
<ul style="list-style-type: none">• Range of products or services provided	<ul style="list-style-type: none">• Potential for innovation
<ul style="list-style-type: none">• Quality of products or services	<ul style="list-style-type: none">• Ease of doing business
<ul style="list-style-type: none">• Responsiveness	<ul style="list-style-type: none">• Willingness to share risk
<ul style="list-style-type: none">• Dependability of supply	<ul style="list-style-type: none">• Long-term commitment to supply
<ul style="list-style-type: none">• Delivery and volume flexibility	<ul style="list-style-type: none">• Ability to transfer knowledge as well as products and services
<ul style="list-style-type: none">• Total cost of being supplied	<ul style="list-style-type: none">• Technical capability
<ul style="list-style-type: none">• Ability to supply in the required quantity	<ul style="list-style-type: none">• Operations capability
	<ul style="list-style-type: none">• Financial capability
	<ul style="list-style-type: none">• Managerial capability

Table 12.1

Weighted supplier selection criteria for a hotel chain

Factor	Weight	Supplier A score	Supplier B score
Cost performance	10	8 ($8 \times 10 = 80$)	5 ($5 \times 10 = 50$)
Quality record	10	7 ($7 \times 10 = 70$)	9 ($9 \times 10 = 90$)
Delivery speed promised	7	5 ($5 \times 7 = 35$)	5 ($5 \times 7 = 35$)
Delivery speed achieved	7	4 ($4 \times 7 = 28$)	8 ($8 \times 7 = 56$)
Dependability record	8	6 ($6 \times 8 = 48$)	8 ($8 \times 8 = 64$)
Range provided	5	8 ($8 \times 5 = 40$)	5 ($5 \times 5 = 25$)
Innovation capability	4	6 ($6 \times 4 = 24$)	9 ($9 \times 4 = 36$)
Total weighted score		325	356

Figure 12.7

Types of supply network arrangement

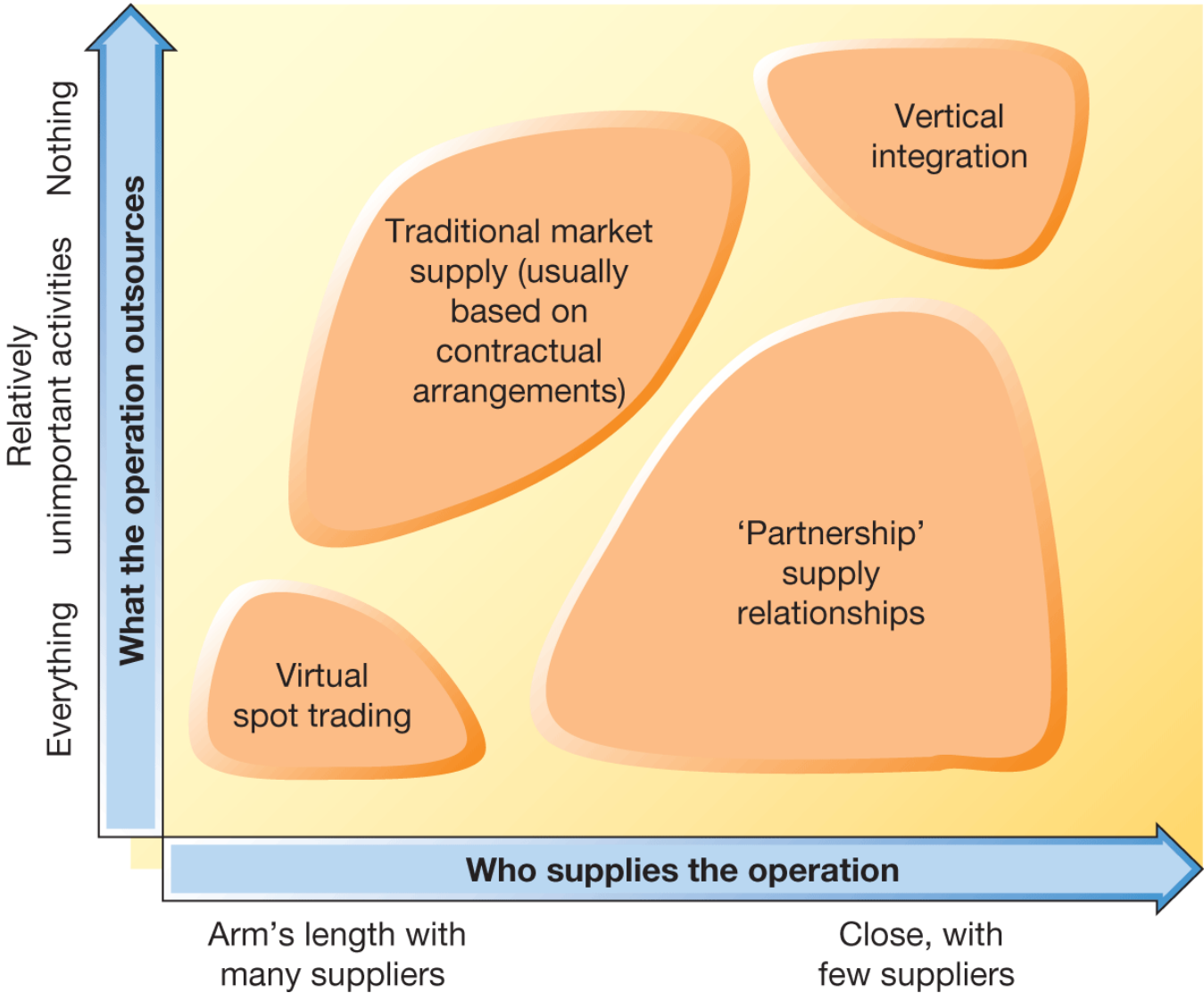


Figure 12.8

Supply arrangements are a balance between contracting and relationships

'Market-based' or 'transactional' supply arrangements

'Partnership' supply arrangements

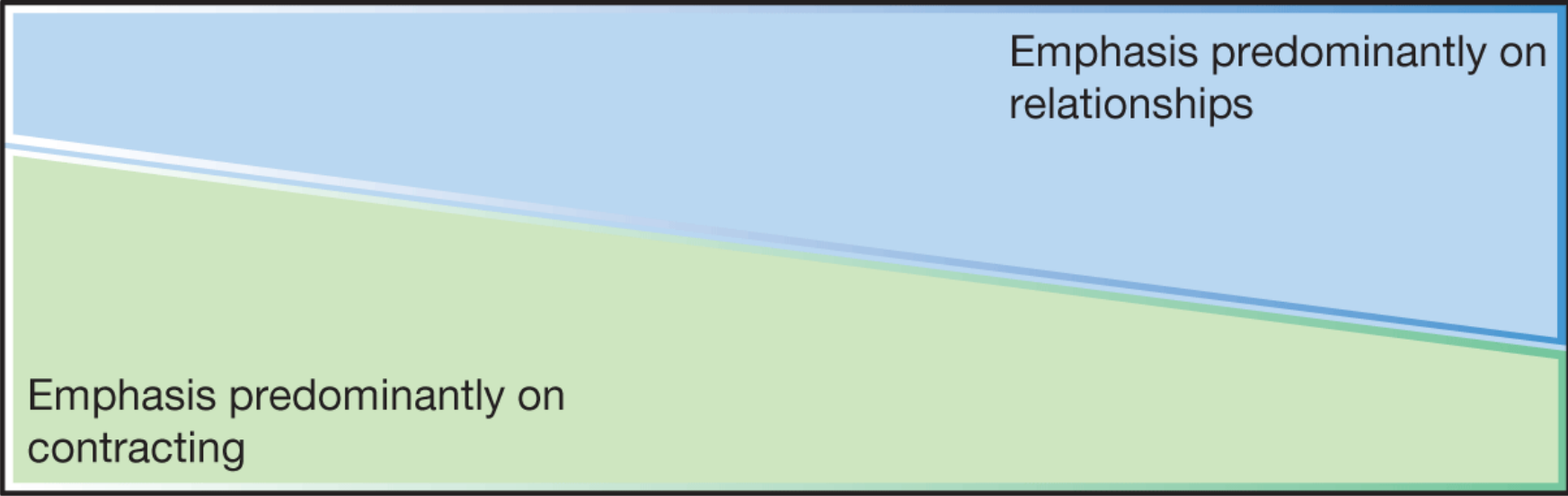
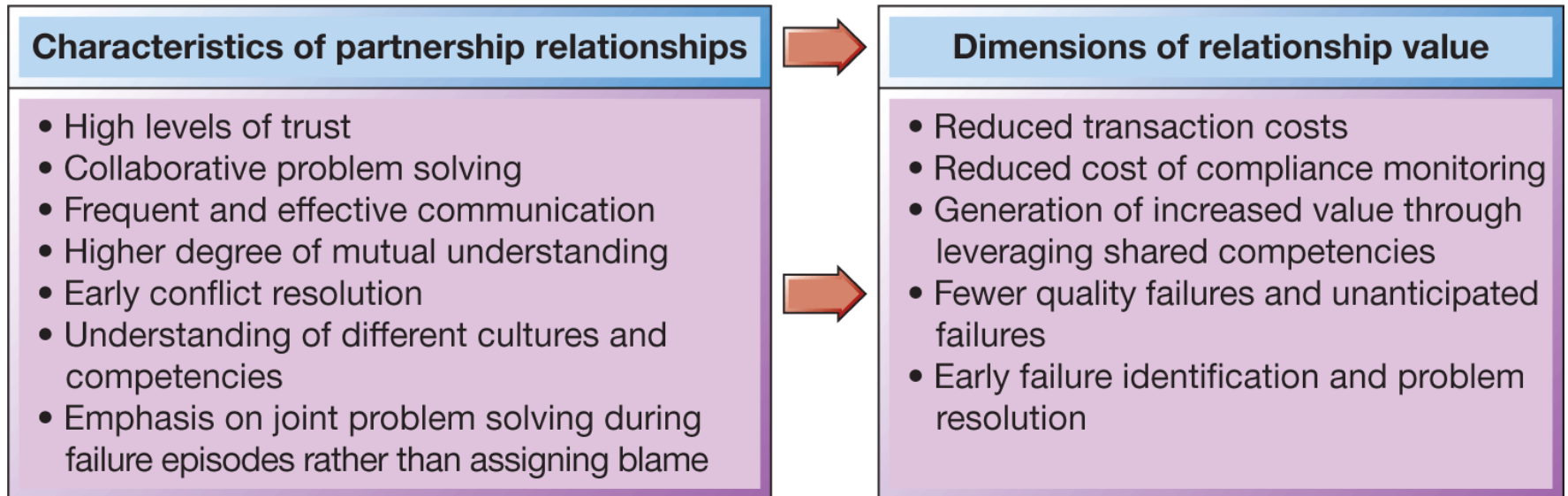


Figure 12.9

The value of partnership relationships



'Functional versus 'innovative' products

FUNCTIONAL ←————→ INNOVATIVE





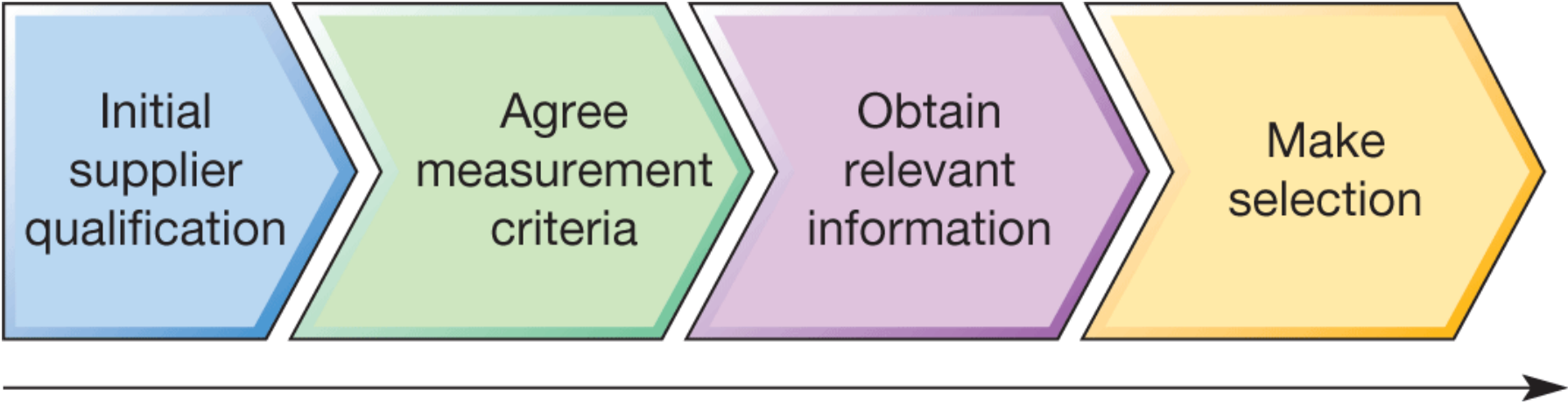
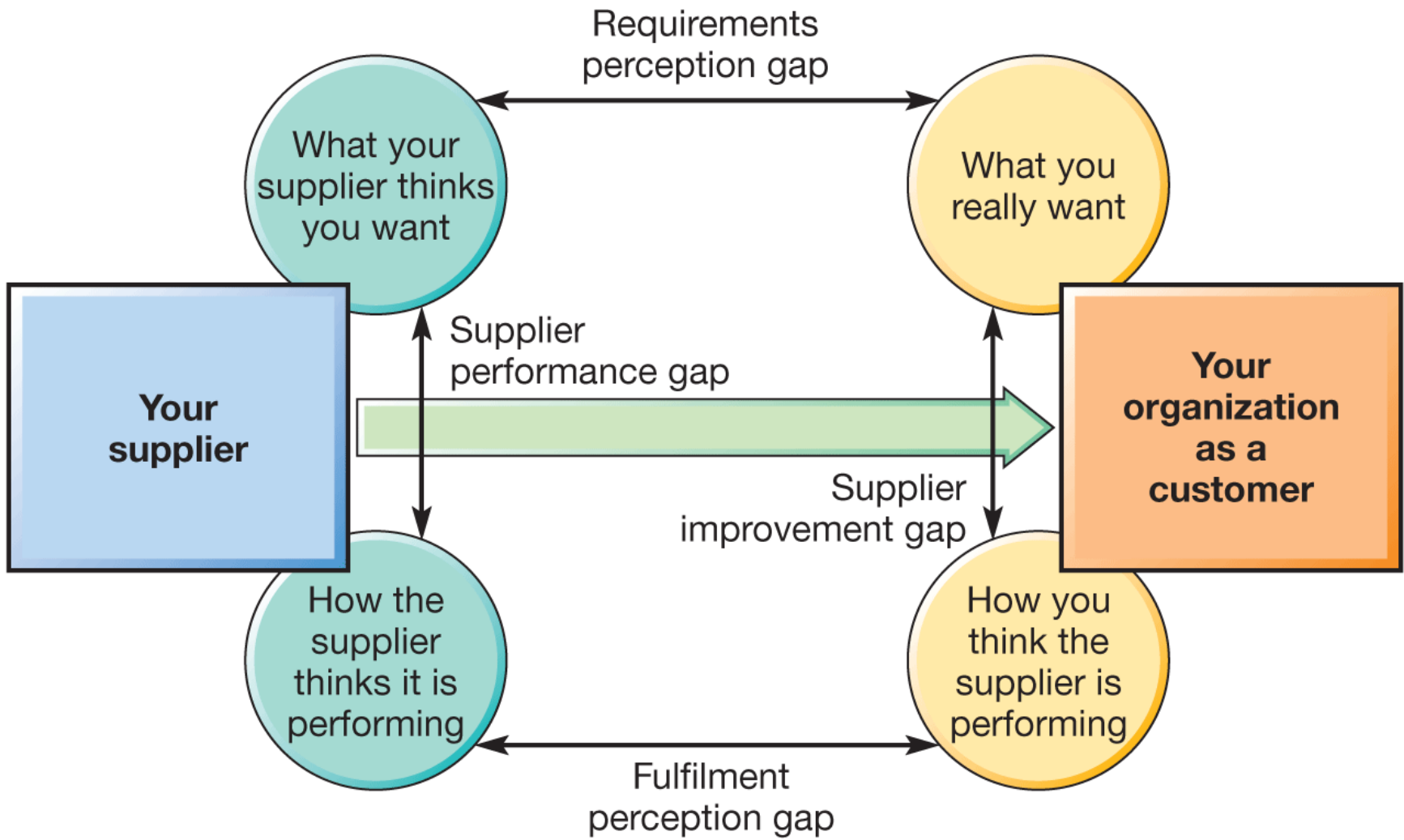
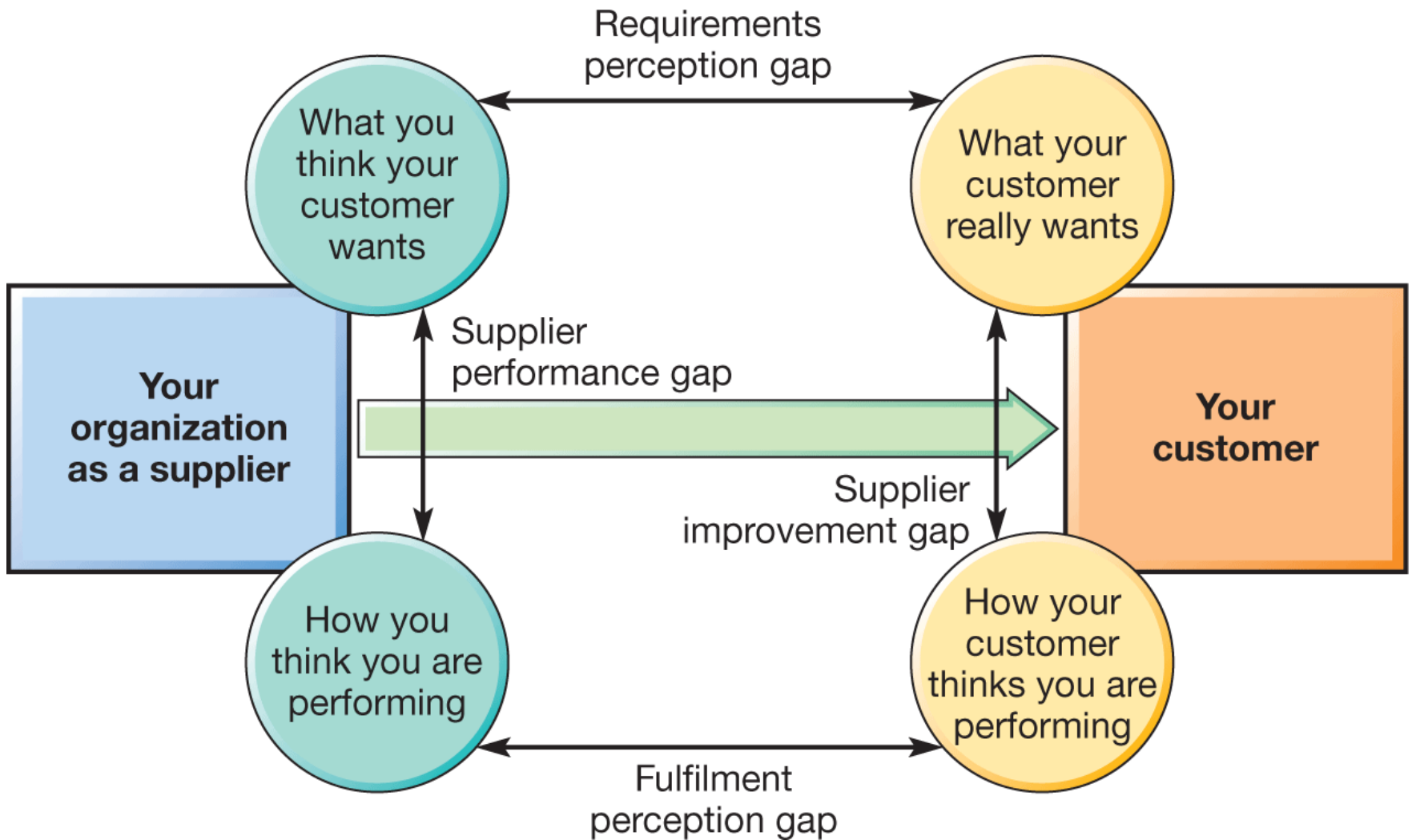
Product	Bucket 	Bread 	Mobile phone 	Fashion handbag 
Time between new product/ service introductions	10 yr+	1 yr–10 yr+	1yr–18 months	3–6 months
Profit margins	Tiny	Small	Very high	High
Volume and variety	High/very low	High/low	Moderate/ moderate	Moderate/ moderate
Demand volatility and uncertainty	Very low	Very low	Moderate	Moderate–high

Figure 12.11

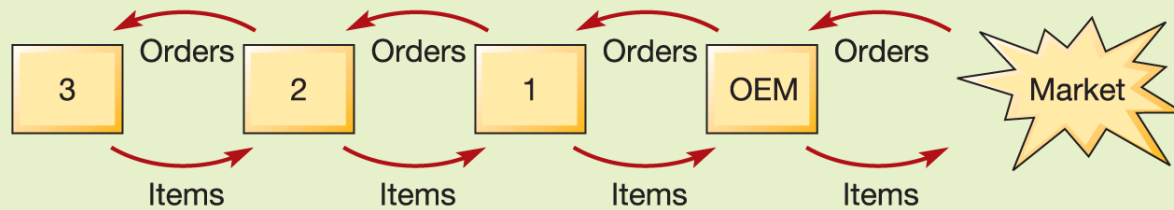
The supplier selection process







Period	Third-tier supplier		Second-tier supplier		First-tier supplier		Original equipment mfr		Demand
	Prodn.	Stock	Prodn.	Stock	Prodn.	Stock	Prodn.	Stock	
1	100	100	100	100	100	100	100	100	100
2	20	100	60	100	80	100	90	100	95
3	180	60	120	80	100	90	95	95	95
4	60	120	90	100	95	95	95	95	95
5	100	90	95	95	95	95	95	95	95
6	95	95	95	95	95	95	95	95	95



The bullwhip effect

