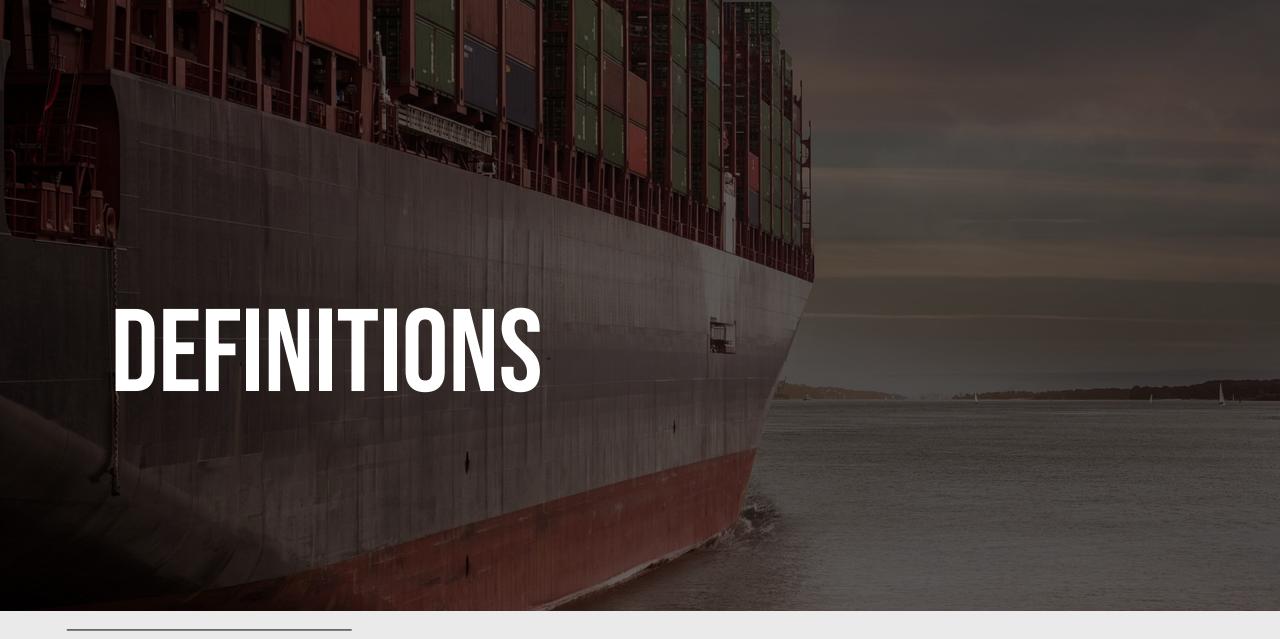
# INTRODUCTION TO OPERATIONS AND SUPPLY CHAIN MANAGEMENT

# WHAT IS THE MOST IMPORTANT? WHY?

- STRATEGIC MANAGEMENT
- OPERATIONS MANAGEMENT

**COMPANY POLICY** 





# **DEFINITION**

Supply Chain and Supply Chain Management



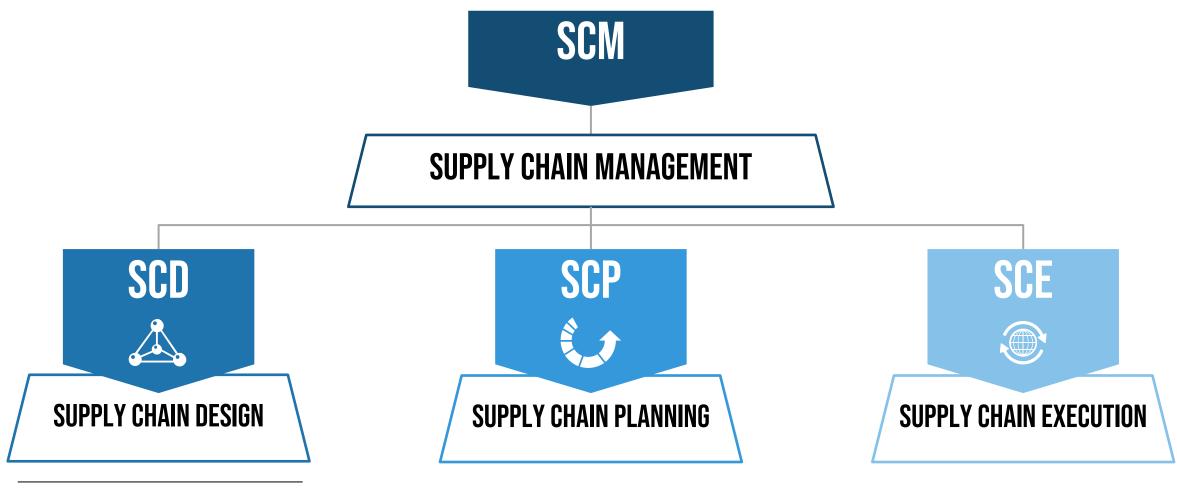
Supply chain refers to a system of organizations involved in all moving processes of a product or service, including the extraction of raw materials, production and delivery of the finished product to the end customer.



Supply chain management consists of monitoring, establishing and managing materials, information and finances across the entire value chain. SCM also coordinates and integrates separate company operations, both internally and externally.

# **DEFINITION**

Abbreviations





# Value Chain can be defined as:

a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. It encompasses all the value-creating activities, from raw materials to final product/service delivery, and includes both primary and support activities.

Porter, M. E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. New York: Free Press.



# Operations Management can be defined as:

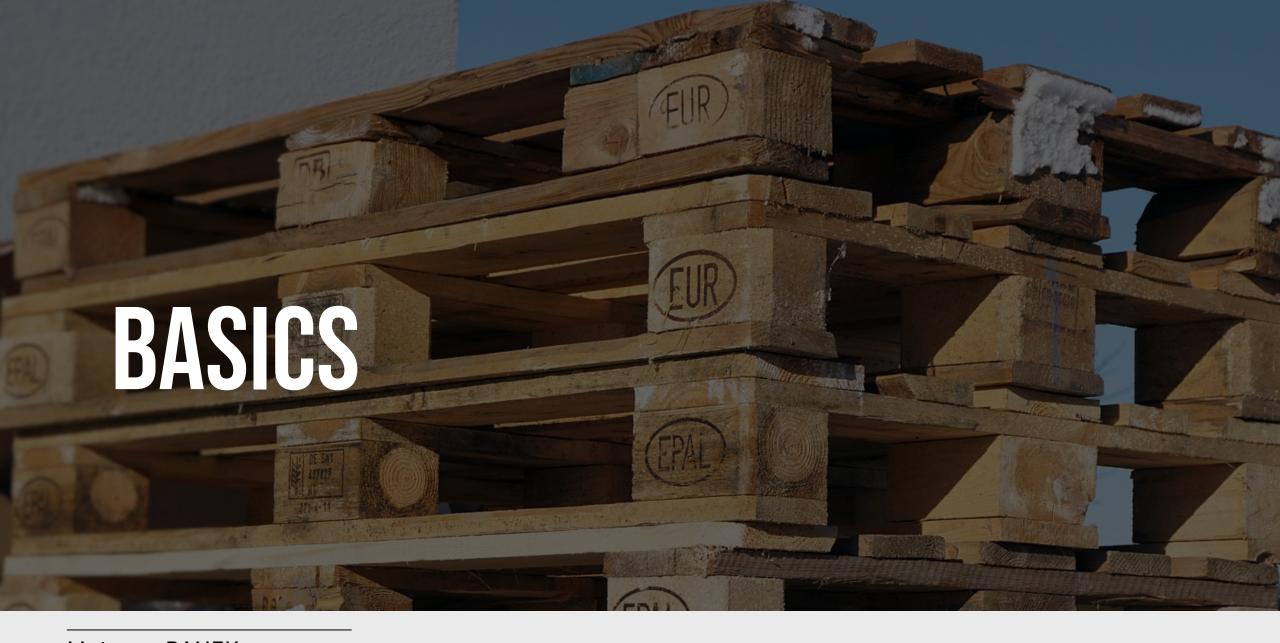
the administration of business practices to create the highest level of efficiency possible within an organization. It is concerned with converting materials and labor into goods and services as efficiently as possible to maximize profits.

Mateusz PANEK PhD, DBA, LL.D classes@doctor.eco

Heizer, J., Render, B., & Munson, C. (2016). Operations Management: Sustainability and Supply Chain Management (12th ed.). Boston: Pearson.

# **S&OP** (SALES AND OPERATIONS PLANNING)

Marketing
Sales
Procurement
Production
Warehouse
Transportation
Customer service



# BASICS SCOR Model

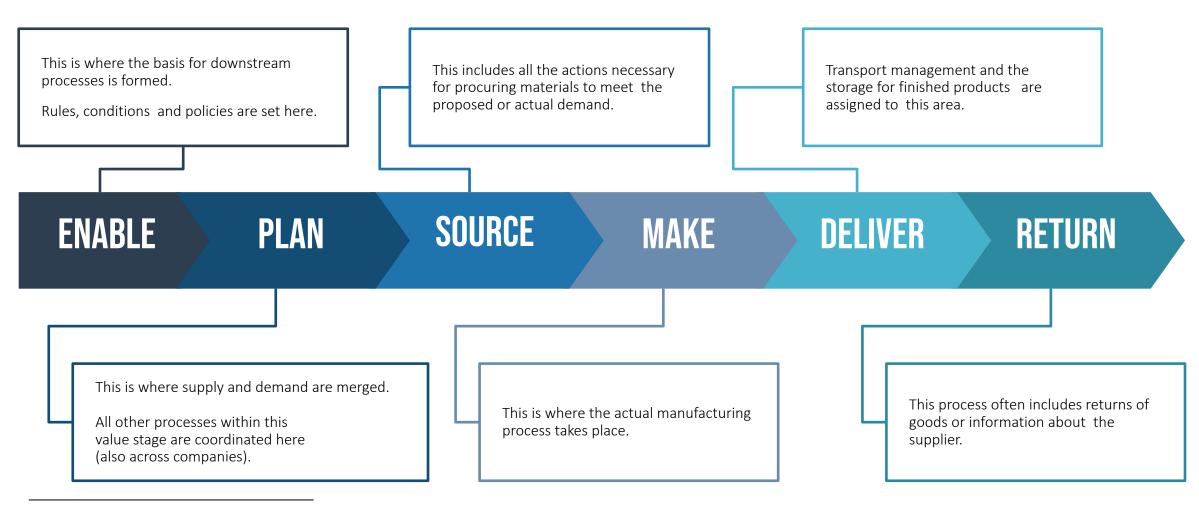
# Supply Chain Operations Reference MODEL

The SCOR model is a management tool that analyzes and evaluates the performance of supply chains.

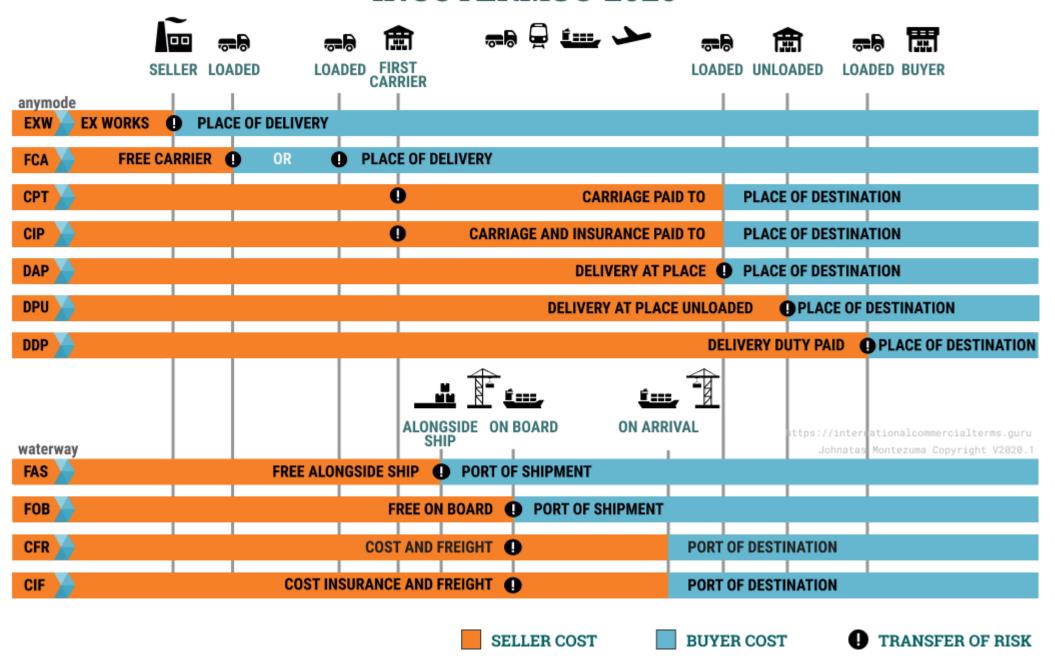
It provides a consistent structure for setting metrics, processes, best practices, staff skills and their networks.

It also describes the entire value chain process, from suppliers to the end customer.

### SCOR Model – 6 Main Processes



### **INCOTERMS® 2020**

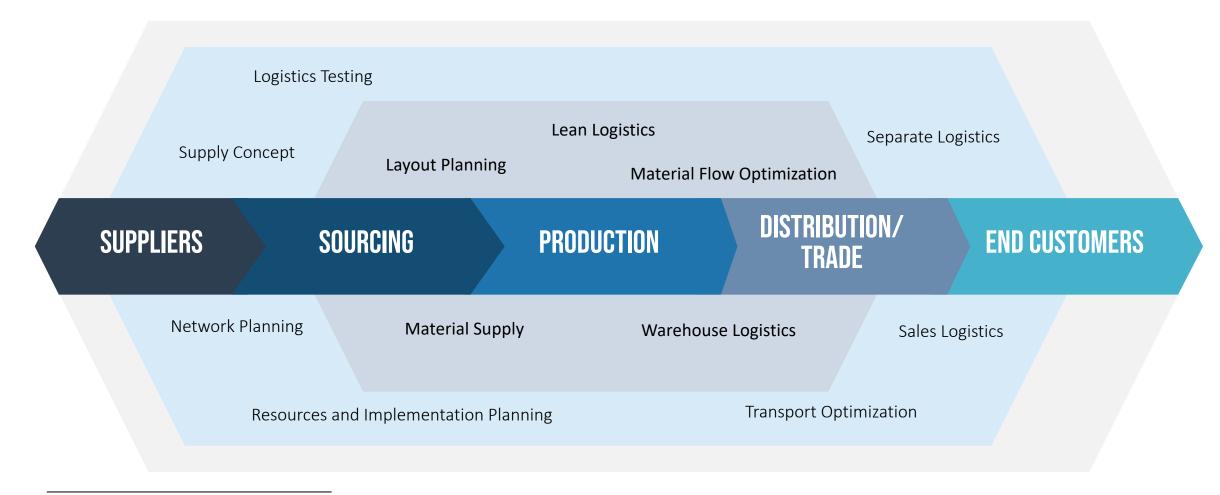


# BASICS d'impact sur les zones de Supply Chain

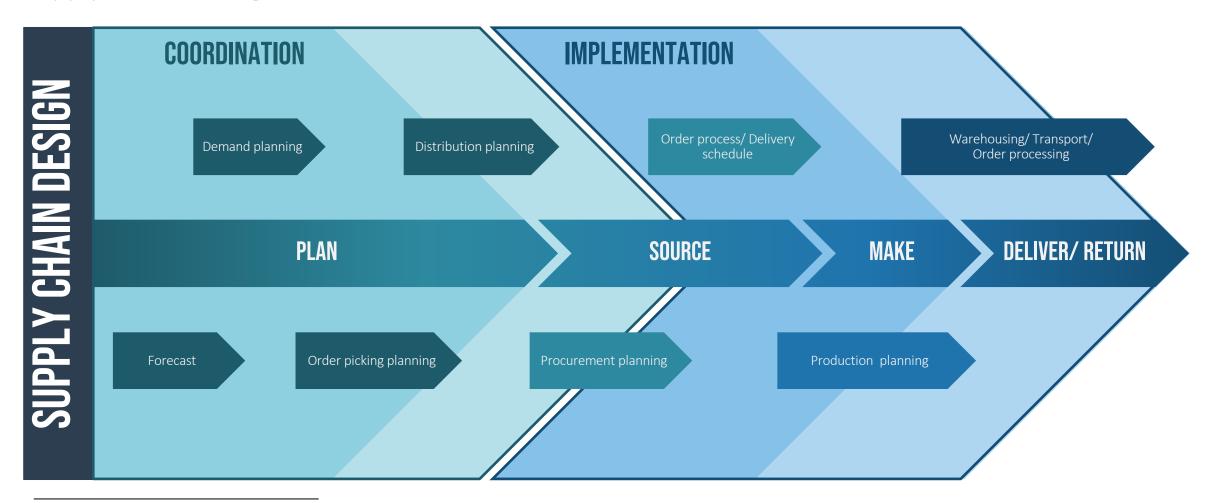
Supply Chain Management Overview – 1



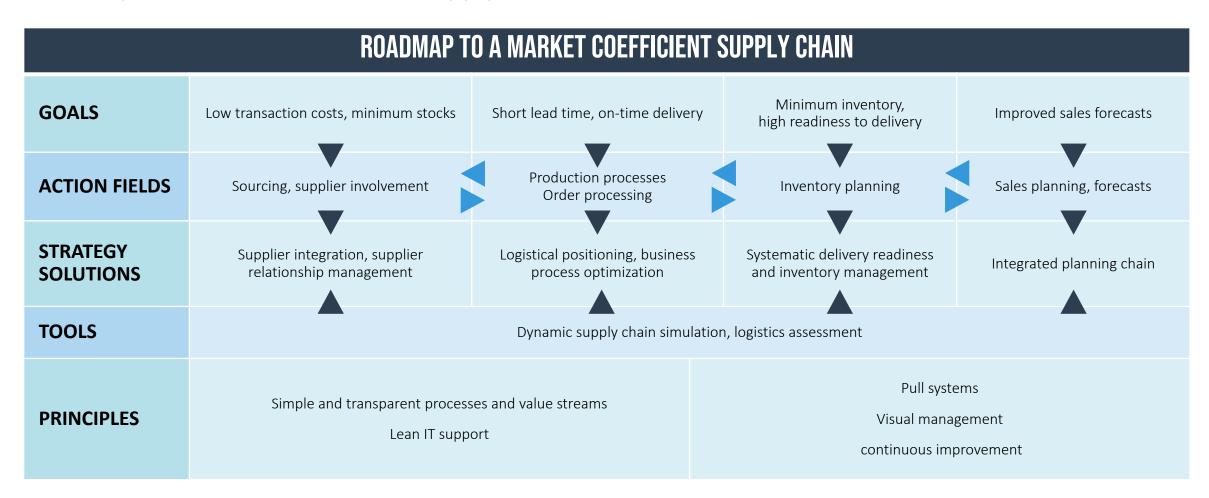
Supply Chain Management Overview



Supply Chain Management Overview



Roadmap to a Market Coefficient Supply Chain



### A Supply Chain Process



# LET'S DEFINE TECHNICAL LANGUAGE

PoC

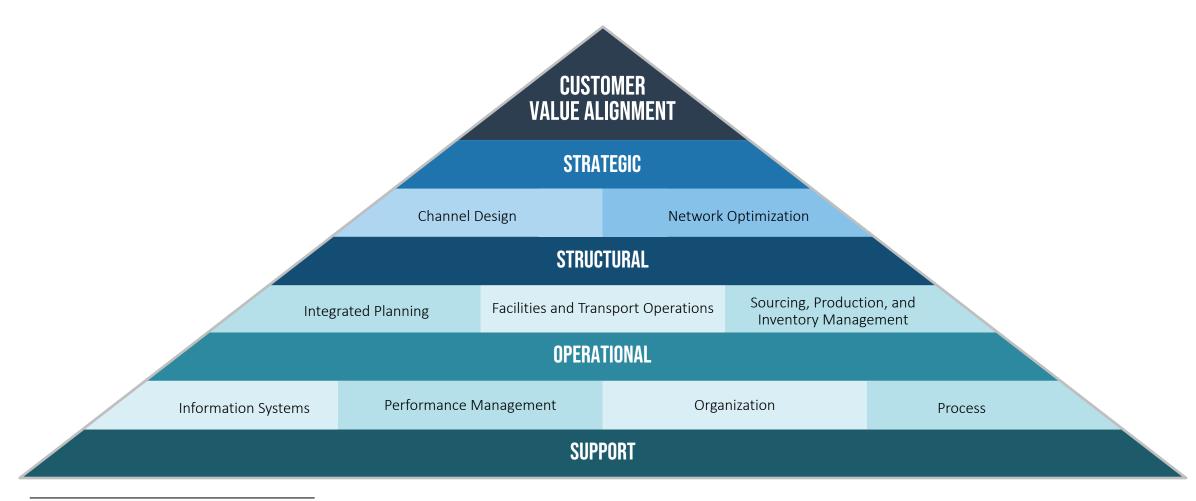
MVP

EVP

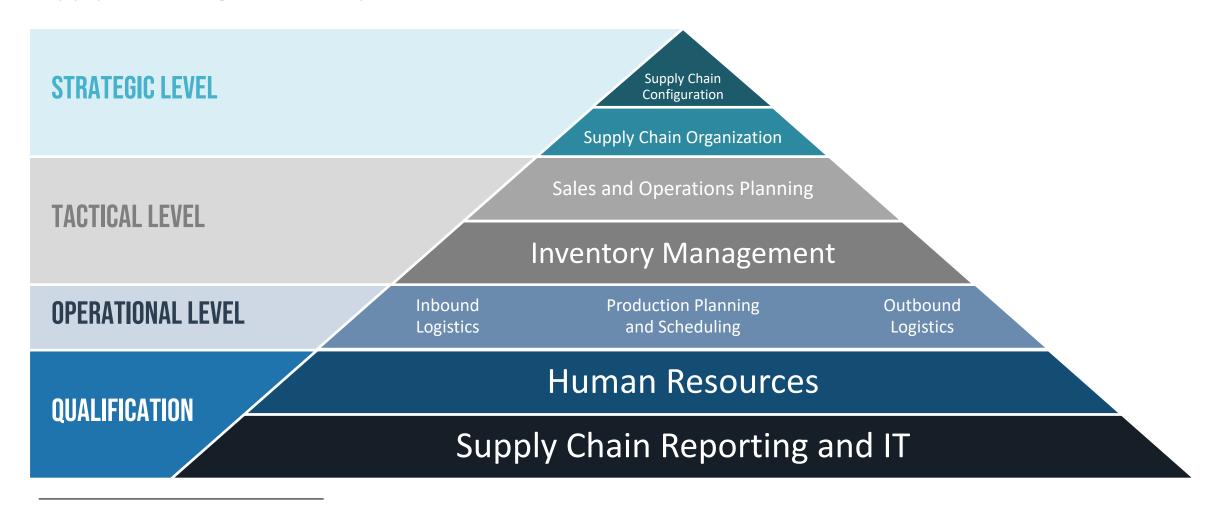
## Distinction of Various Supply Management Systems

	SOURCE	MAKE	DELIVER	SELL	
Supply chain configuration	Supply chain modelling		Supply chain optimization		Strategic planning system
Supply chain planning	Supplier management	Comprehensive planning	Inventory and warehouse management	Customer order management	Optimizing tools
	Procurement program planning	Master planning	Distribution planning	Sales and demand planning	
		Production planning		Customer order simulation	
Supply chain performance (Enterprise Resource Planning)	Procurement processing	Production processing	Warehousing and shipping	Sales processing	Advanced <b>ERP</b> system

Supply Chain Organization Pyramid



Supply Chain Organization Pyramid



### Supply Chain Management Strategies

### **EFFICIENT CONSUMER RESPONSE**

Synchronized production of Vendor Managed Inventory (VMI) for consumption

### **CUSTOMER RELATIONSHIP MANAGEMENT**

Continuous improvement of customer satisfaction and customer loyalty

### POSTPONEMENT STRATEGIES

Reduce inventory at semi-finished and finished stages

### REFERENCE STRATEGIES

A type of market development for systematically expanding the sourcing policy at the international level

### PRODUCTION AND SOURCING STRATEGIES

Create transparency between supplier and customer

### **SUPPLIER MANAGEMENT**

Purchasing, logistics and quality

### **ELECTRONIC MARKET PLACES**

Commercial exchange of goods passed via platforms with the possibility of establishing a product's time and place

### **COLLABORATIVE PROCESSING**

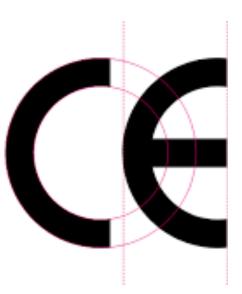
Inter-organizational coupling of legally independent partners in a supply chain network over the Internet

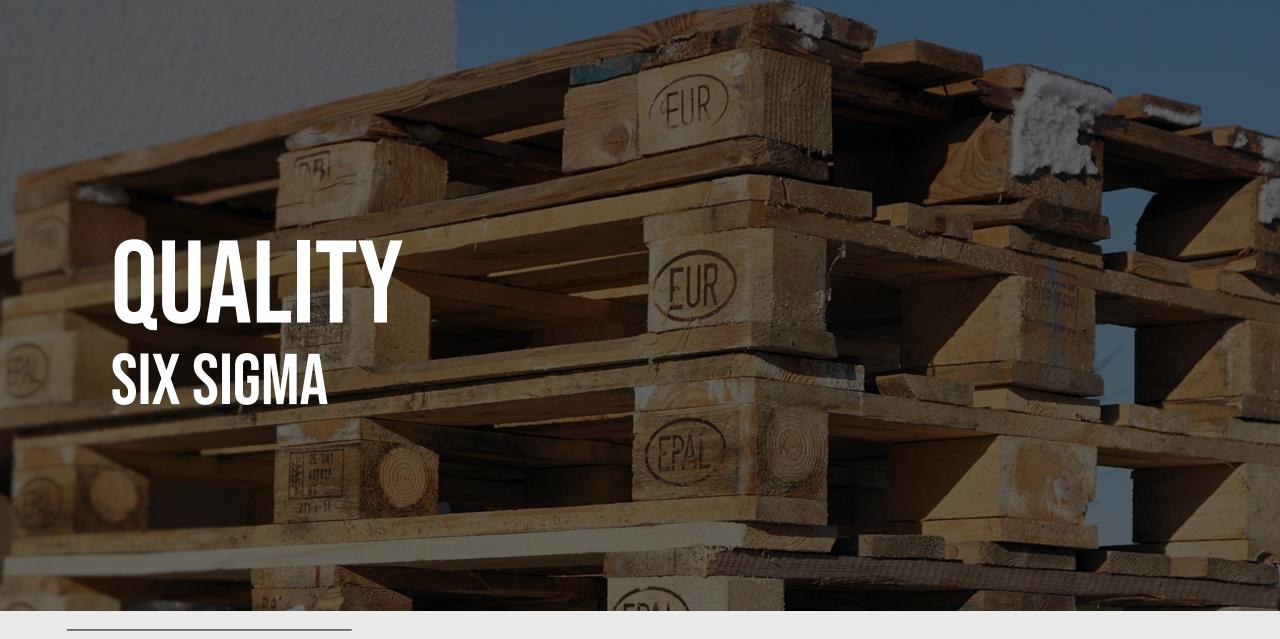
### VIRTUAL FREIGHT EXCHANGE

Better transport utilization and price reduction by tracking and tracing









# **DEFINITION – WHAT IS SIX SIGMA?**

### INDICATOR OF

Efficiency of processes

### PROBLEM SOLVING METHOD

Systematically, data oriented, (DMAIC-Method, DMADV)

### TOOLBOX

Process, analysis, statistics, problem solving strategy



### PROCESS IMPROVEMENT

Operative and productive processes

### **CUSTOMER REQUIREMENTS**

Not quality improvement at all costs

### QUALITY INITIATIVE

Resounding measurable success like increased revenue and lowered costs

# THE SIGMA-LEVEL

Measuring Method to Determine Process Performance

SIGMA	ERROR RATE	DEFECTS PER MILLION*	SUCCESS RATE (Y%)	PROCESS CAPABILITY (C <sub>P</sub> )
1	69%	691.462	31	0,33
2	31%	308.538	69	0,67
3	6,7%	66.807	93,3	1,00
4	0,62%	6.210	99,38	1,33
5	0,023%	233	99,977	1,67
6	0,00034%	3,4	99,9997	2,00
7	0,0000019%	0,019		

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The higher the value, the more efficient is the process

# PROJECT ORGANIZATION AND ROLES

Leading Positions and Roles within the Six-Sigma-Program



# PROJECT ORGANIZATION AND ROLES

Description of roles and related skills



### **CONTROL CIRCUIT**



### CHAMPION

Responsible for budget and resources; sponsor of Six Sigma projects



### MASTER BLACK BELT

Experienced senior project manager; management of cross-sectional strategic projects



### **BLACK BELT**

Project manager and Coach; executes projects together with other business divisions



### **GREEN BELT**

Leads projects within his sector of responsibility; implementation of smaller Six-Sigma projects

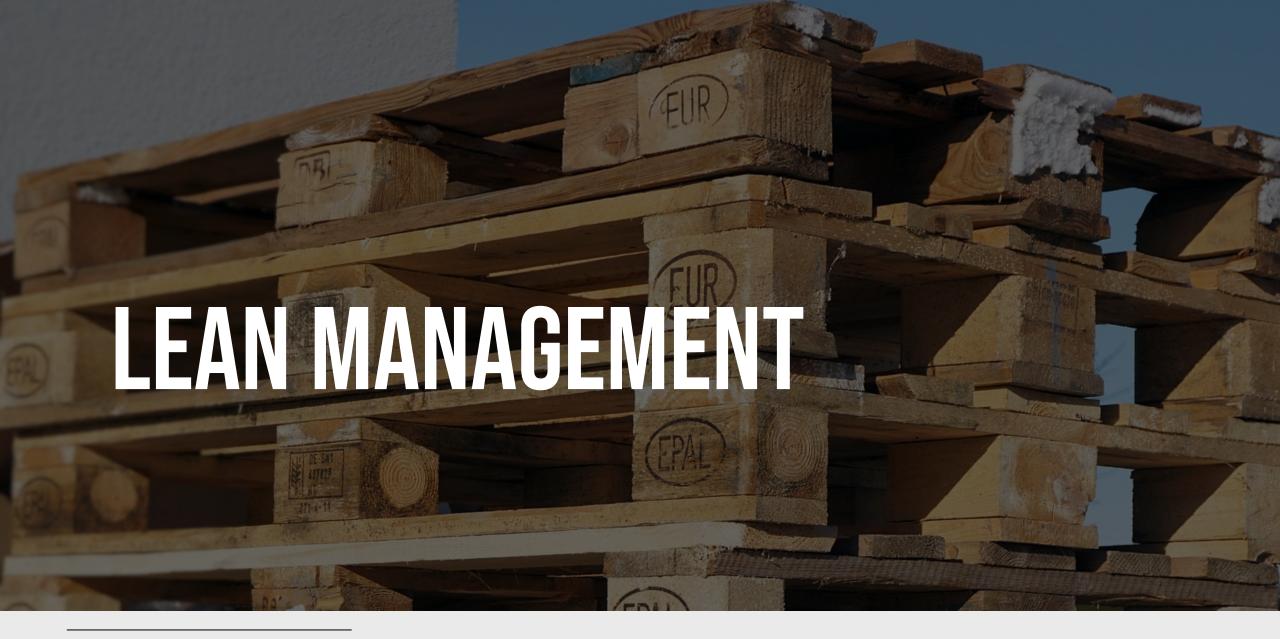


### YELLOW BELT

Part of the project team, which applies Six Sigma methods; supports execution of projects



**TEAM MEMBER** 



# **DEFINITION**

Lean Management









Multitude of tools, instruments and philosophies to optimize business processes and increase effectiveness

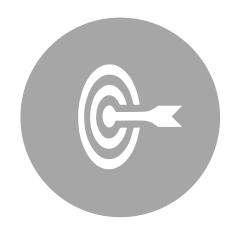
Customer focus and cost reduction with regard to internal and cross-company processes and structures

Focus on value adding processes, optimization of the value chain to "just-in-time" effectiveness

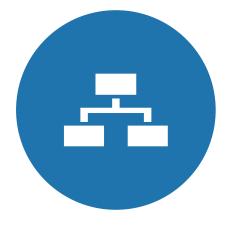
Involvement of employees and use of existing competencies motivates staff and strengthens consciousness for Lean Management in all areas

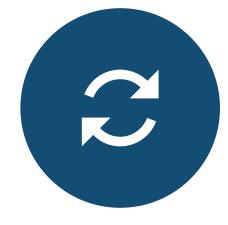
# **OBJECTIVES OF LEAN MANAGEMENT**

Lean Management











### **EFFICIENCY**

Process oriented business management & highest possible effectiveness

### **CLEARNESS**

Explicitly defined processes and workflows

### **STRUCTURE**

Logical arrangement of responsibilities & communication channels

### **OPTIMIZATION**

Minimization of wastage and optimization of processes

### **QUALITY**

Reduction of error rates and functional cases of damage

# **OBJECTIVES OF LEAN MANAGEMENT**

Lean Management











### **PRODUCTIVITY**

Increasing productivity through elimination of unnecessary activities

### **KEY FIGURES**

Advancement of existing process models with clearly defined KPIs (Key Performance Indicators)

### **ORGANIZATION**

Re-organization with clear focus on customer needs and legal requirements

### **VALUES**

Establishment of a modern management and value structure

### **RESPONSIBILITY**

Encouragement of employees to assume personal responsibility





# IMPORTANCE OF GOOD QUALITY

Good quality leads to higher customer satisfaction and is rewarded with increased profits



Higher Customer Satisfaction
Increased Sales Volume
Company's Reputation
Product Liability

Market Gains

Higher Price

**Reduced Costs** 

**Higher Productivity** 

Lower Rework / Scrap



## DETERMINANTS OF PRODUCT QUALITY

An approach of the product quality determinants

PERFORMANCE	main product characteristics/ everything works
CONFORMANCE	specifications, standards and customer expectations
CONFORMANCE	indirect evaluation of quality, reputations and ratings
AESTHETICS	design, taste, soft touch, fit and finish, grade of material used
RELIABILITY	consistency of performance, frequency of breakdowns
SPECIAL FEATURES	extra characteristics
SERVICE AFTER SALE	warranties, maintenance and handling of complaints
DURABILITY	long life of the product, resistance
SAFETY	risk of injury

# **DETERMINANTS OF SERVICE QUALITY (SERVQUAL)**

Tangibles

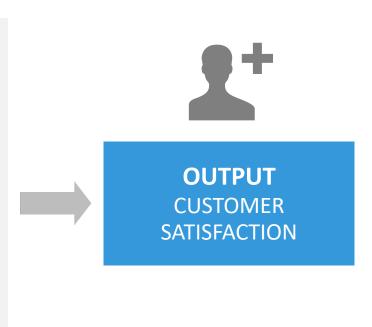
A system approach of the customer satisfaction through the different attributes of service quality





Responsiveness Empathy
Availability/ Access Assurance
Courtesy/ Friendliness Credibility
Reliability Assurance/ Security
Communication Time
Competence Courtesy

**Understanding Customers** 



# CONSEQUENCES OF POOR QUALITY (COST OF POOR

moduate offpoor quality may disappoint the buyer and lead to product failure

### LOSS OF BUSINESS

The customer will not buy the product or any other product again.



### LOSS OF REPUTATION

Customers complain about their bad experience to friends and relatives.



### HIGHER COSTS

Poor quality costs money and reduces profitability.



A study showed: while a satisfied customer will tell a few people about his or her experience,

a dissatisfied person will tell an average of 19 others.

## TOTAL QUALITY MANAGEMENT (TQM)

Definition

### **TOTAL**

Quality Management involves customers, employees and management as well as all tasks and activities of a company.

### **QUALITY**

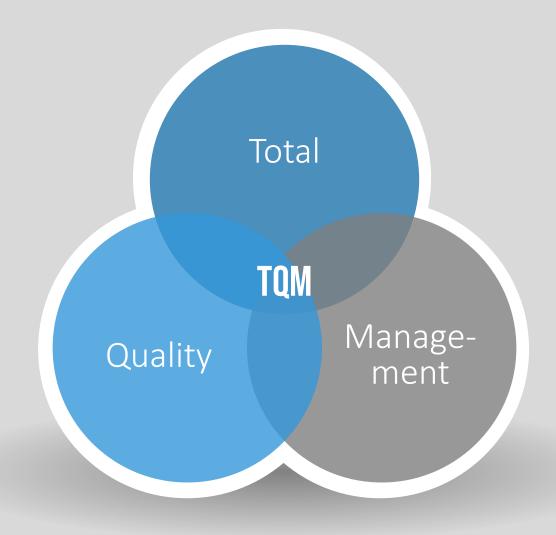
Degree to which the product (or service) meets the costumer expectations or was produced correctly.

### **MANAGEMENT**

Quality must be managed by planning , organizing , leading and controlling.

### **TQM**

An integrative management philosophy for continuously improving the quality of products and processes.



## THE TQM SYSTEM MODEL

Leading with objectives

Customer-oriented

Internal and external customer relations

Zero-error program

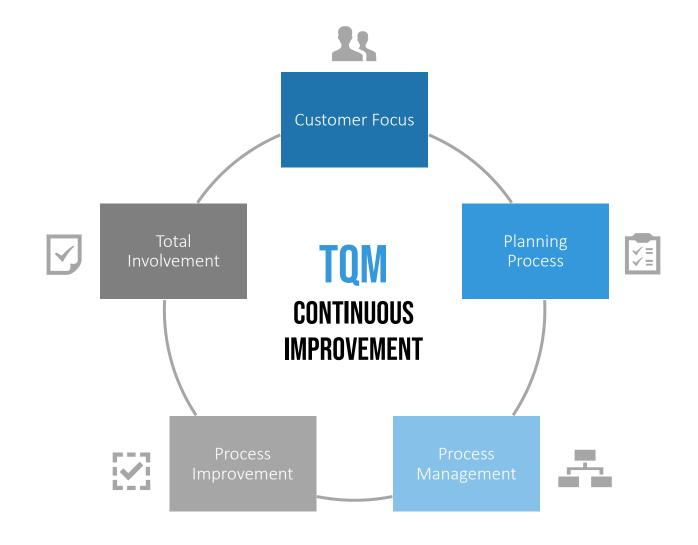
Work in processes

Continuous improvement with measurable units

Involvement of all employees

Trainings and further education

Frequent management audits



## **DIN EN ISO 9001**

The DIN EN ISO 9001 certification demonstrates if you have established an effective quality management system.

ISO 9001 is a set of international standards for quality management systems.

Companies that meet the requirements of that standard can be registered as ISO 900.

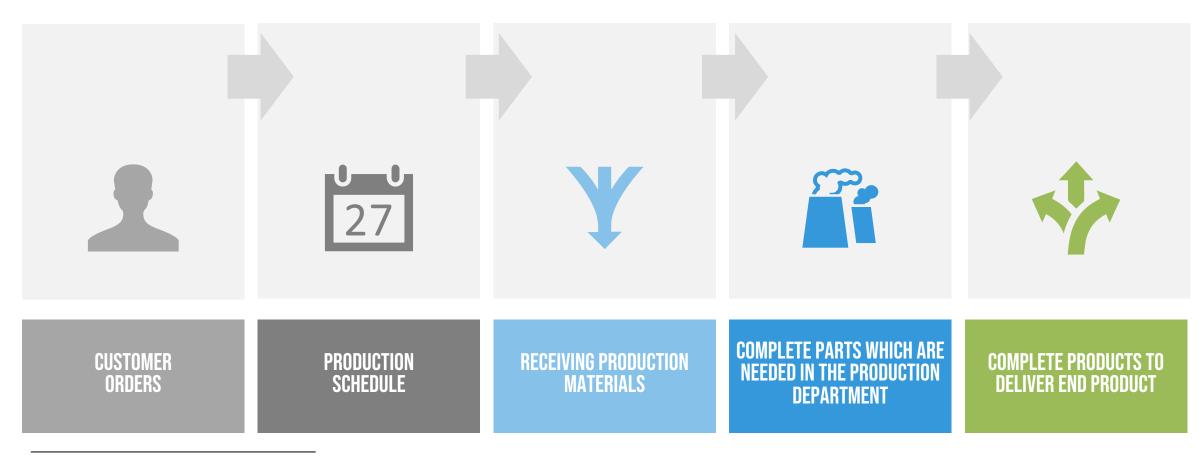
### ISO 9000 series consists of 3 documents:

- ISO 9000:2005; fundamentals
- ISO 9001:2008; requirements
- ISO 9004:2000; guidelines for performance improvements



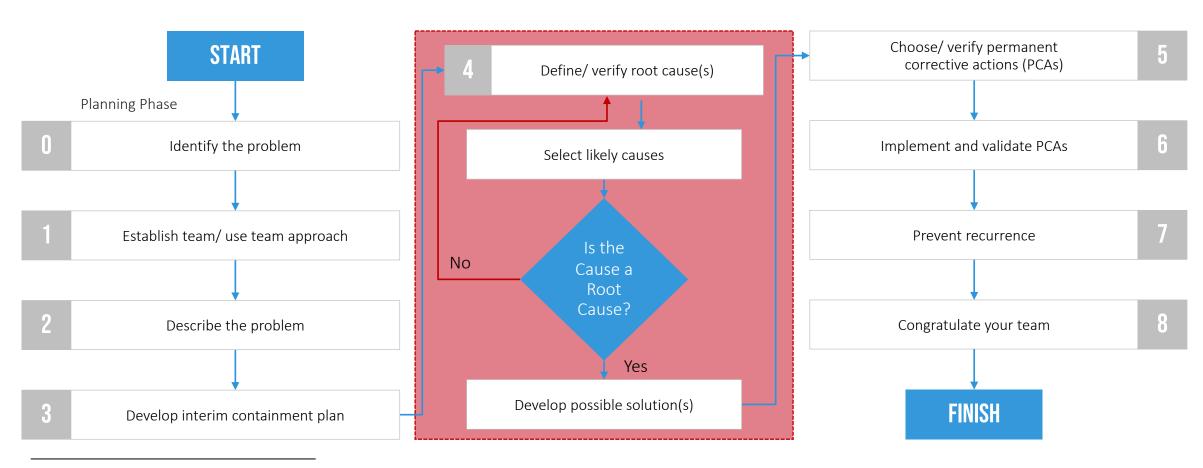
# JUST-IN-TIME (JIT)

JiT is a set of activities designed to achieve high-volume production using minimal inventories and eliminating waste in the production effort.



# 8-D PROBLEM SYSTEM (8 DISCIPLINES PROBLEM SOLVING)

Eight Disciplines Problem Solving is a method used to approach and to solve problems, usually applied by quality engineers or other professionals.



# ROBUST DESIGN (OFF-LINE QUALITY CONTROL)

The Robust Design method is used to achieve defect free products even when influenced by disturbances

Disturbances are divided into three categories:

### **EXTERNAL DISTURBANCES**

Variations in the environment during product usage

### INTERNAL DISTURBANCES

Wear and tear inside a specific unit

# DEVIATION FROM TARGET VALUES

Disturbances in the manufacturing process

Disturbances are divided into three categories:

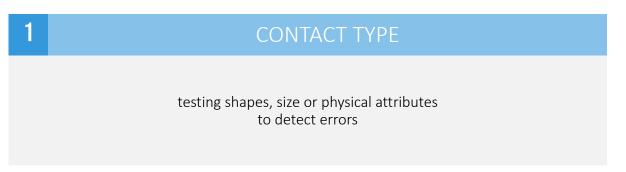
CONCEPT DESIGN

PARAMETER DESIGN

**TOLERANCE DESIGN** 

# MISTAKE PROOFING/ POKA YOKE

Mistake Proofing, or poka yoke, means taking action to eliminate product defects by preventing, correcting, or drawing attention to human errors when they occur.





3	MOTION-STEP TYPE
	determine whether the prescribed steps of the process have been executed
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Poka yoke is a Japanese term that means "fail-safing" or "mistake-proofing" adopted by Shigeo Shingo as part of the Toyota Production System

# **DESIGN OF EXPERIMENTS (DOE)**

DOE is the design of any information-gathering exercise where variations are present – whether under full supervision of the experimenter or not.

SCREENING EXPERIMENTS

MIXTURE EXPERIMENTS

FRACTIONAL FACTORIAL EXPERIMENTS

# POWERFUL DESIGNED EXPERIMENTS

(improvement techniques)

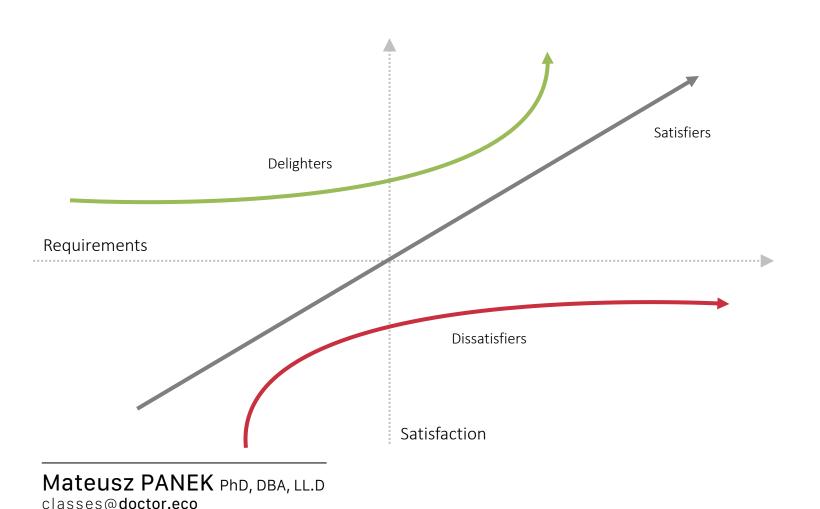
RESPONSE SURFACE ANALYSIS

EVOLUTIONARY OPERATIONS (EVOP)

FULL FACTORIAL EXPERIMENTS

# KANO MODEL (QUALITY FUNCTION DEPLOYMENT/ QFD)

The Kano model is a theory of product development and customer satisfaction developed by Noriaki Kano which categorizes customer preferences.



#### Satisfiers

The factors that increase customer satisfaction when delivered (but do not cause dissatisfaction if they are not delivered).

### Dissatisfiers

The minimum requirements which will cause dissatisfaction.

### Delighters

Delighters are not expected and excite customers because they exceed their expectations.

## KAIZEN

Kaizen is a Japanese term meaning "improvement" or "change for the better." This concept focuses on continuous improvement of all company processes.



**Customer Orientation** 

Total Quality Control/Six Sigma

Robotics

**Quality Circles** 

Suggestion System

Automation

Discipline at the Workplace

Total Productive Maintenance (TPM)

Kanban

**Quality Improvement** 

Just -in-Time (JIT)

Zero Defects

**Small-Group Activities** 

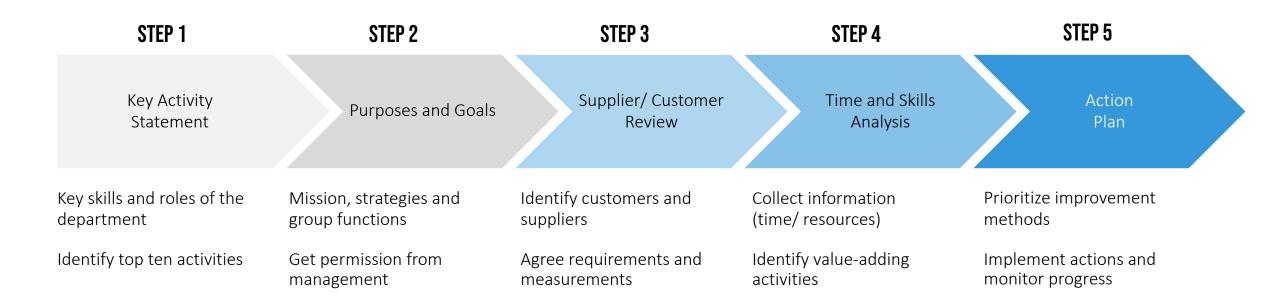
Cooperative Labor-Management Relations

Productivity Improvement

New Product Development

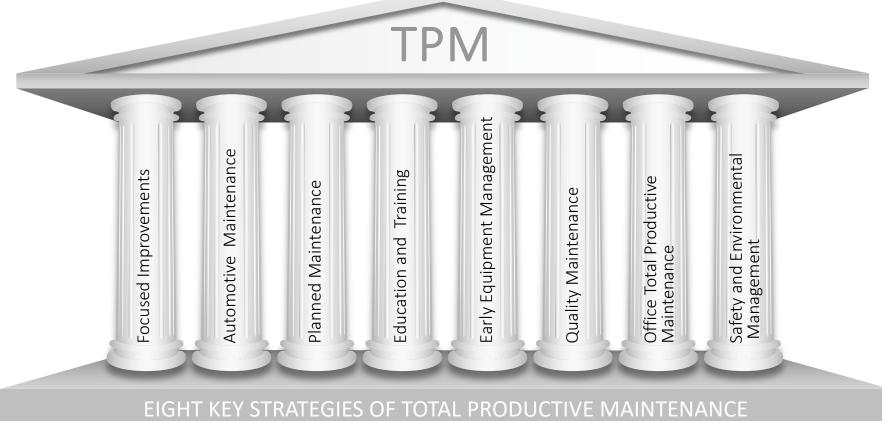
# DEPARTMENT PURPOSE ANALYSIS (DPA)

The DPA is an analysis of internal customer systems to improve the quality of the department.



## TOTAL PRODUCTIVE MAINTENANCE

TPM is a technique that uses the entire work force to make the most effective use of equipment and existing production structures.



## ZERO DEFECTS

Zero defects is a quality control technique directing towards an error free performance by defining targets and measuring improvements.

## Continuous Improvement



Clear commitment of management/ quality improvement teams

Identify current and potential quality issues. Setup measurable standards and display quality indicators. Calculate cost of quality



Comply quality standards as top priority/ raise quality awareness

Define targets and milestones to be met



Train supervisors, hold "zero defects" days

Analyze and monitor progress; publish results



Recognize team efforts. Revise targets and start-over with repeating step 2.



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## INTERNAL NETWORKING

Benefits of Internal Networking

Supply chain networking is developed both between company interfaces and within the company itself. This is reflected by an optimal flow of information and communication between EDP systems of different companies, and internally between each department such as Marketing, Development, Purchasing, Finance, or Production.

Marketing and Distribution

- One of the most important tasks of Marketing in the supply chain network is an effective customer approach. This helps to increase sales.
- When sales can be accurately determined, resources for Production and Procurement can be purchased and planned.
- It is therefore important for Marketing and Distribution to have a high degree of network integration.



Marketing and Distribution

### **USEFUL POINTS TO KNOW IN ADVANCE:**

- When can we expect customer demands (day, week, month)?
- What products need to be ordered and in what quantity?
- Are there any specific demands that need to be considered?

Distribution can be more accurately determined with this information, which in turn impacts the planning and management of other divisions. For example, resources for Production and Procurement can be more effectively organized and purchased.

Marketing and Distribution

Marketing and Distribution provide various ways to determine meaningful sales and production figures:

CUSTOMER SURVEYS, DIALOGUE WITH CUSTOMERS

MARKET RESEARCH, COMPETITOR ANALYSIS

**ECONOMIC AND INDUSTRY ANALYSIS** 

The subsequent or downstream areas and their tasks can now be adjusted accordingly:

### **PURCHASING**

- Demand pooling
- Negotiations with suppliers
- Agreement on framework conditions

### PRODUCTION PLANNING

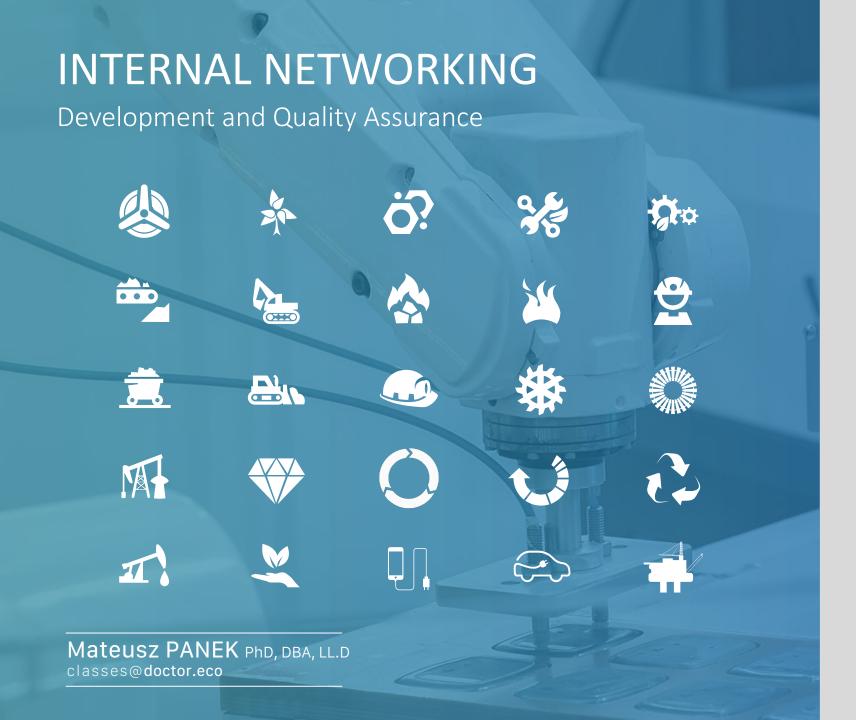
- Determination of a production schedule
- Agreement on the production order sequence
- Capacity planning

### TRANSPORT AND DISTRIBUTION

- Transport capacity commitment
- Agreement on the loading sequence
- Route planning

# CUSTOMER AND AFTER-SALES SERVICE

- Clear product description and documentation
- Simple usability
- Exchangeability of replacement parts
- Prompt, round-the-clock service



- The predetermined quality standards have an impact on product development and material selection.
- Such standardization allows for additional cost savings in the development phase.

Development and Quality Assurance

THROUGH EFFECTIVE COOPERATION BETWEEN DEVELOPMENT, PRODUCTION AND QUALITY MANAGEMENT, THE FOLLOWING QUESTIONS CAN BE ANSWERED:

Will additional machinery or tools be needed due to new goods?

Is staff training needed?

What goods can be standardized?

Do individual parts of production need to be outsourced?



Purchasing and Distribution



Purchasing is used to coordinate a networked supply chain. In the development of goods, it should guarantee that these products are available the purchasing market.



Additionally, Purchasing must pay attention to quality assurance and take sales and sourcing into consideration.



Inventory planning can relieve the strain on Purchasing when an accurate and early assessment is available.

Purchasing and Distribution

### FUNCTIONS OF PURCHASING AND DISTRIBUTION IN THE NETWORKED SUPPLY CHAIN:

Cooperating between development, manufacturing, quality assurance and presuppliers

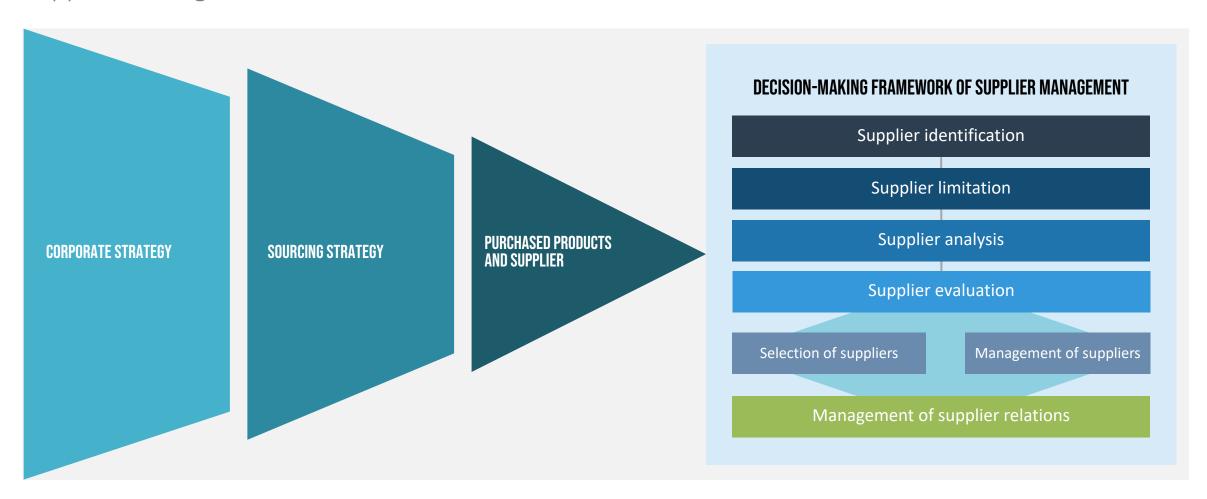
Determining delivery strategies

Establishing strategies such as demand blocking, lot size optimization and the institution of security stocks or optimal transport units

Determining warehousing strategies



Supplier Management Processes



Warehouse Management

With its information and cooperation, warehouse management should help avoid unnecessary commitment costs.

Capital commitment costs arise, for example, when customer payment terms are extended.

The opposite of fixed capital is liquidity.

A company always strives to be "solvent" or "liquid".

Warehouse Management

### RESPONSIBILITIES OF WAREHOUSE MANAGEMENT IN THE SUPPLY CHAIN:

Turnover rate of products

Hazardous material, spoilage, other storage specifications

Seasonal products, trending products or standard products

Container type or transportation aids

Coordinating loading and unloading times

Coordinating traffic status for smoother operations



Controlling, Financial and Accounting



This division, together with other divisions such as Purchasing, Production and Distribution, is responsible for deciding and determining competitive sale prices.



Additionally, Controlling and Accounting play an important role in assisting the establishment and data disclosure.

Controlling, Financial and Accounting

### RESPONSIBILITIES OF CONTROLLING, FINANCIAL AND ACCOUNTING:

Determining competitive sales prices

Determining turnover rate, inventory levels and capital commitment

Installing an early warning system

Determining revenue and sales figures, profit and loss

Determining and disclosing data

Payment and invoicing transactions



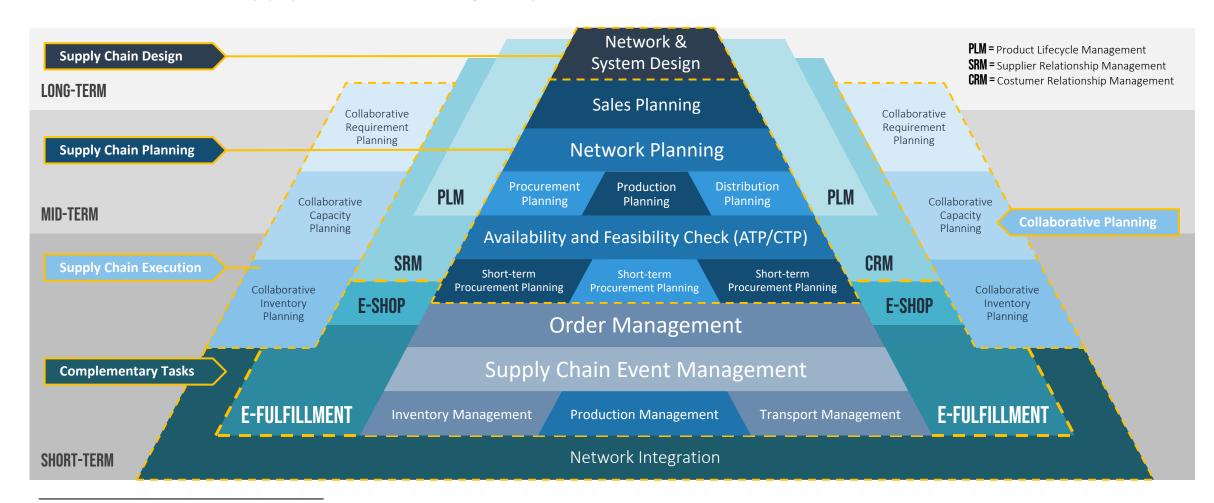


Definition

Supply chain planning includes all functions of strategic, operational and tactical development. These contribute to improving the process execution of one or more companies in a networked supply chain.



Overview of the Supply Chain Planning Responsibilities



Properties of Supply Chain Planning Methodology – 1

### INTEGRATIVE PLANNING

Involving partners along the supply chain

Integrating at least one first-tier supplier (a supplier who distributes directly to the manufacturer of a product ) and the customer

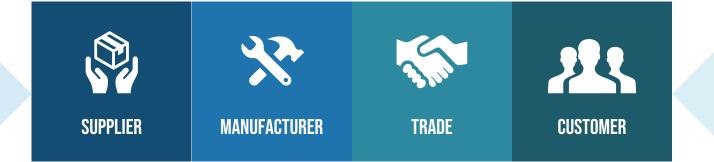
Challenging everyone to expand to a multi-tier network

### **OPTIMIZATION**

Defining and establishing target levels and limitations for planning problems

Generating alternative solutions

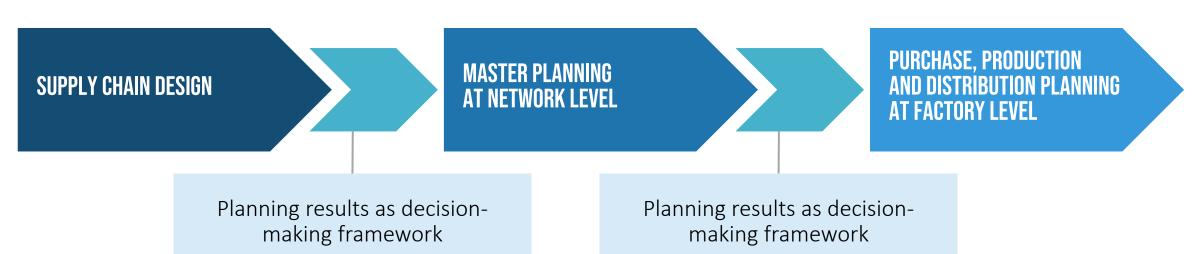
Implementing optimization methods



Properties of Supply Chain Planning Methodology – 2

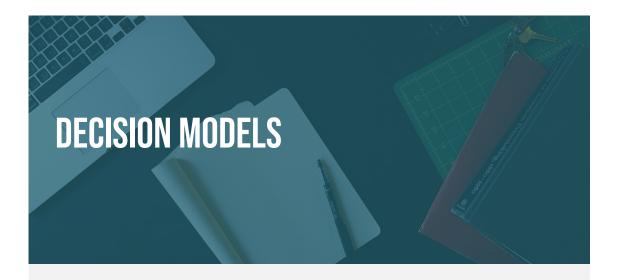
In supply chain management, it is impossible to carry out all planning tasks simultaneously. Therefore, it must be decided which plan is to be implemented first. The result of each planning decision then serves as the framework for the subsequent planning task:

### HIERARCHICAL STRUCTURE IN SUPPLY CHAIN PLANNING:





### Forecast and Decision Models



Simplifies how optimal practices are determined through a transfer of knowledge that can be obtained in a how-to model



Determines consequences if specific previous assumptions in models are true

Predicts future development

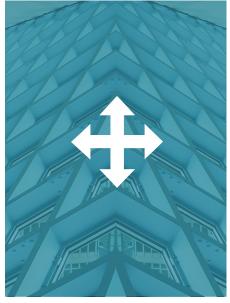
Explains the relationship between input und output in a complex system

Determines the most appropriate solution when a previous criterion wasn't possible to meet

Various Planning Models in Supply Chain Management



**DEMAND PLANNING** 



**NETWORK PLANNING** 



PRODUCTION PLANNING



**DISTRIBUTION PLANNING** 



**SUPPLY PLANNING** 



Demand Planning

### **DEFINITION:**

- Predicts future demand.
- Also called prognosis or forecast.

### TASKS TO PERFORM:

- Determining quantities which are to be predicted
- Summarizing past assets
- Establishing specific forecasting methods



### **Demand Planning**

#### TASK:

Forecast of customer demands in accordance with sales plans, financial budgets and future product portfolios

Comparison not typically made with the already existing production capacities

#### PLANNING LEVEL AND HORIZON:

Strategic

Tactical

Depending on industry: operational

#### RESPONSIBLE ORGANIZATIONAL UNITS:

Logistics

Distribution

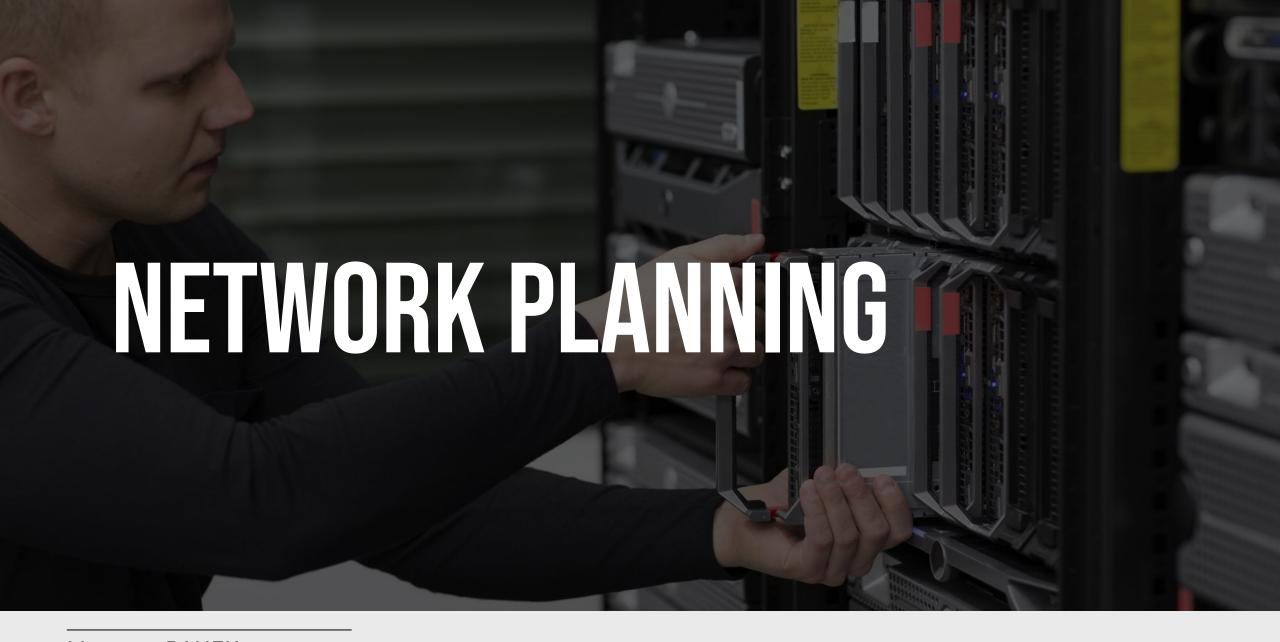
#### **CHALLENGE:**

Procuring necessary and helpful information

Handling uncertainty in supply chain

Integrating different functions or supply chain partners in the preparation of the forecast

Network & System Design Sales Planning **Network Planning** Production ilability and Feasibility Check (ATP/ **Order Management** The accuracy of a forecast of demand affects the quality of the subsequent decision-making levels **Production Management** 



### Network Planning

#### TASK:

Mid to long-term capacity planning at the network level

Improving demand requirements and accordingly, available capacities

Inventory volume planning for all levels, as well as partners in the supply chain

Production and resource planning of inbound and outbound logistics

#### PLANNING LEVEL AND HORIZON:

Strategic

Tactical

#### RESPONSIBLE ORGANIZATIONAL UNITS:

Production Management

Corporate Logistics

#### **CHALLENGE:**

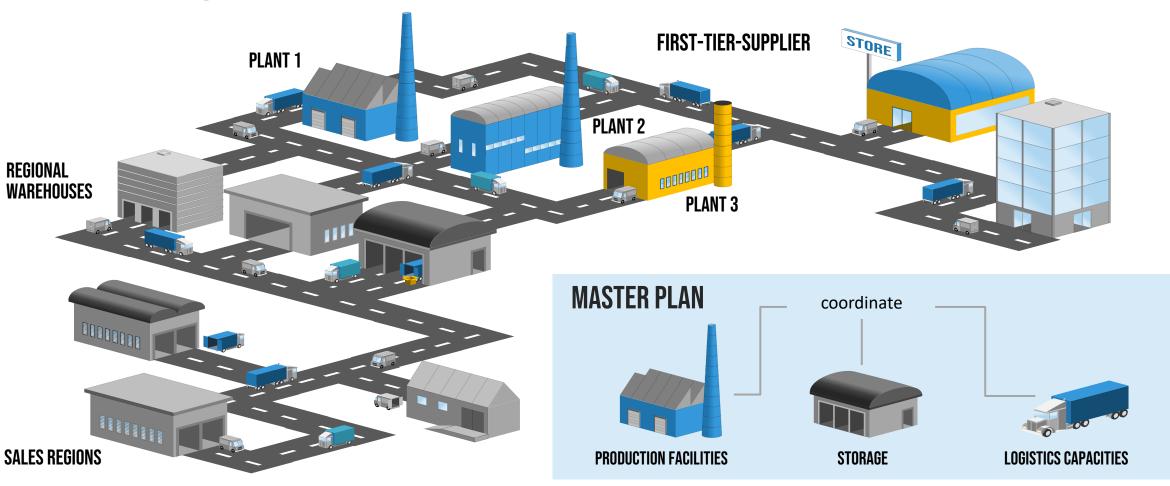
Procuring necessary and helpful information

Handling uncertainty in supply chain

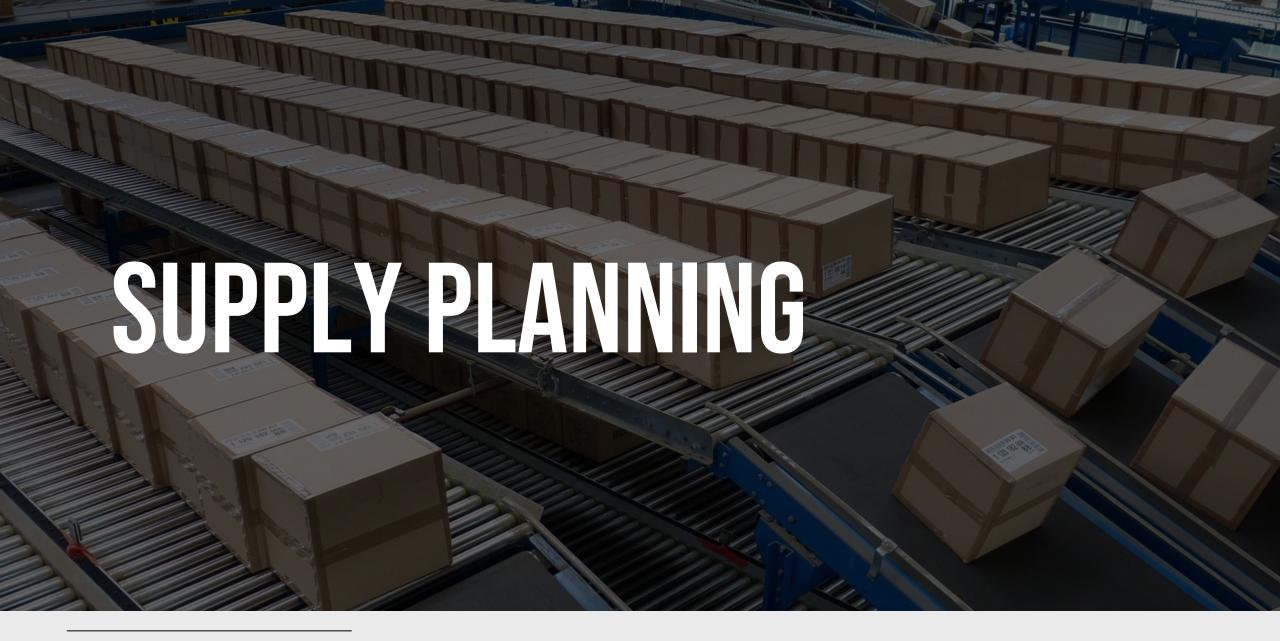
Integrating different functions or supply chain partners in the preparation of the forecast



Network Planning



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Supply Planning

#### TASK:

Optimizing scheduling relating to supply of materials

Optimizing the establishment of inventory in multi-level storage structures through the provision of safety stocks

Assessment of supply scenarios

Establishing improved delivery volumes

#### PLANNING LEVEL AND HORIZON:

Mid to short-term

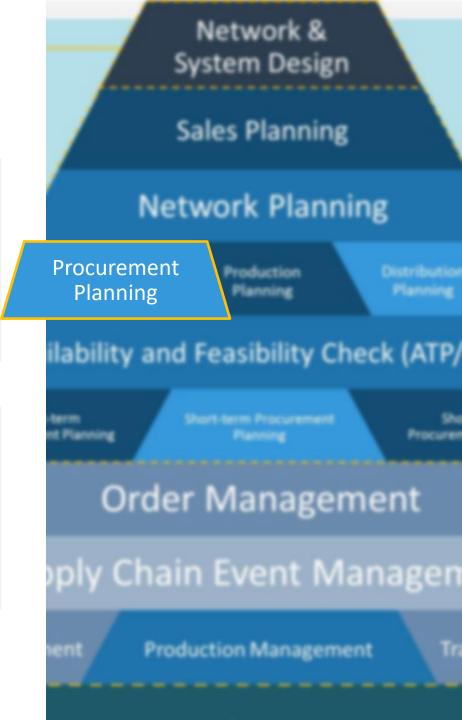
#### RESPONSIBLE ORGANIZATIONAL UNITS:

Logistics

#### **CHALLENGE:**

Market demand is determined by demand planning

Results from network planning are taken into account



Supply Planning



Determining gross and net dependent requirements

Determining the quantity of materials needed for manufacturing finished goods

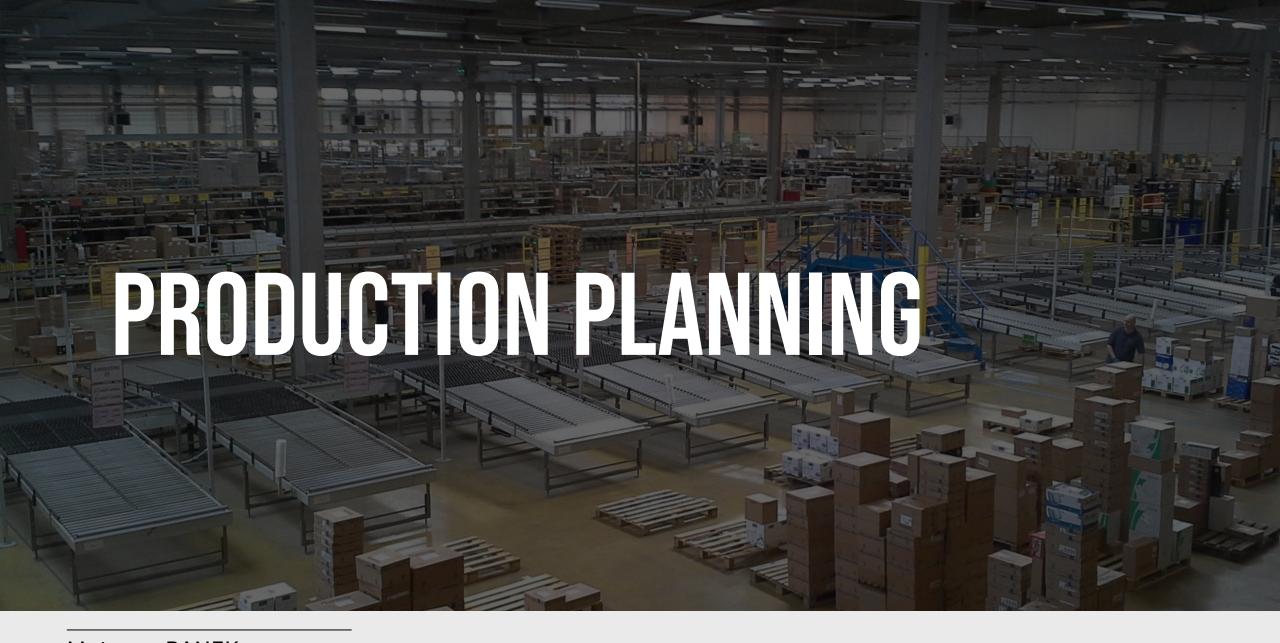
Taking into account net and secondary demands with the remaining inventory



Optimized planning of production material supply

Developing a multi-level supply chain based on the findings of demand and network planning

Providing materials efficiently to satisfy manufacturing requirements



### **Production Planning**

#### TASK:

At plant level: mid-term capacity planning

Determining lot sizes in production and the average processing times

Assessing actions in capacity utilization

#### PLANNING LEVEL AND HORIZON:

Tactical

Mid-term

Daily to monthly rolling basis

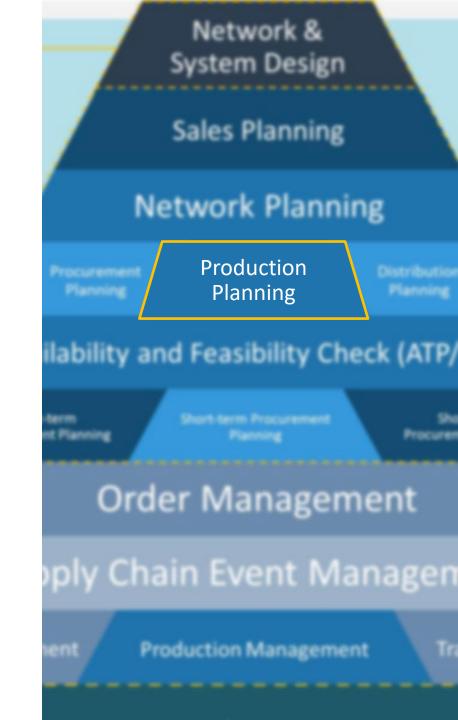
#### RESPONSIBLE ORGANIZATIONAL UNITS:

**Production Planning** 

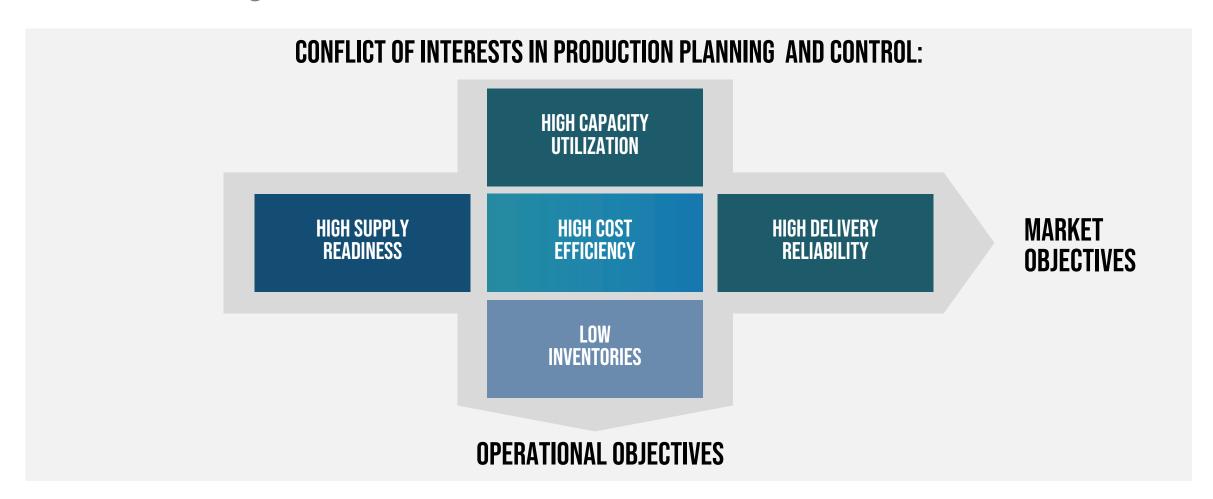
#### **CHALLENGE:**

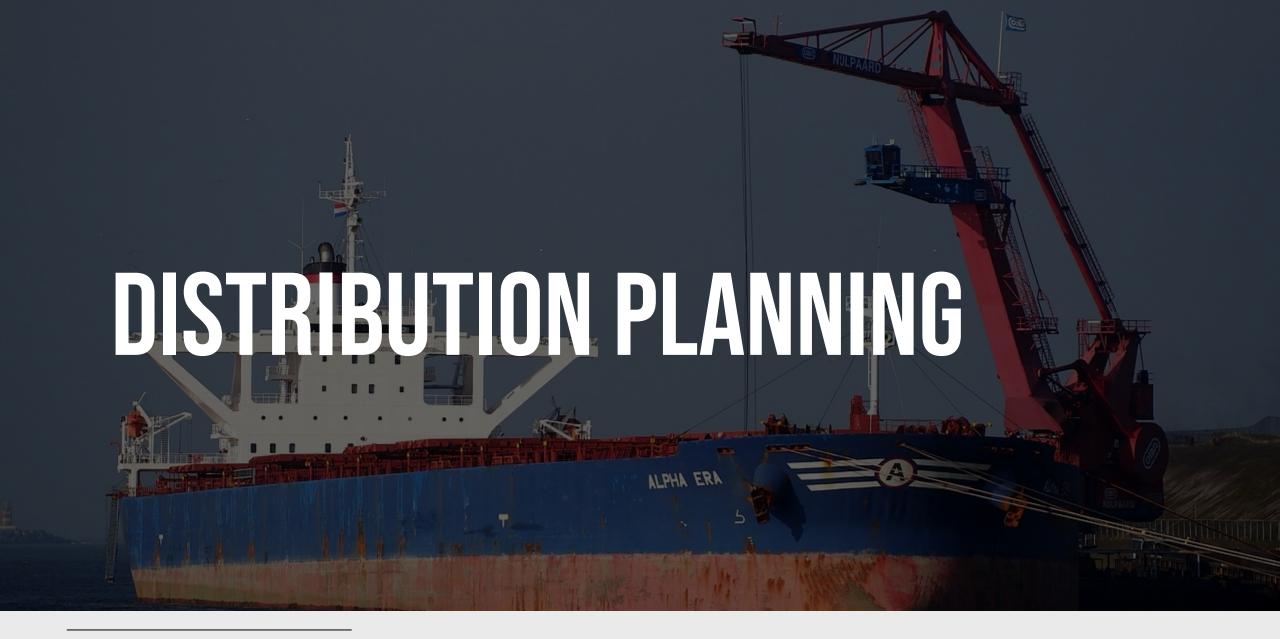
Network Planning provides the framework

production capacity is set for short-term Production Planning



Production Planning





### Distribution Planning

#### TASK:

Better distribution planning for the customer in the case of minimal inventory

Better inventory determination in multi-level warehouses with provision of safety stocks

Determining transport

Creating transport routes and loading plans

#### PLANNING LEVEL AND HORIZON:

Mid to short-term

#### RESPONSIBLE ORGANIZATIONAL UNITS:

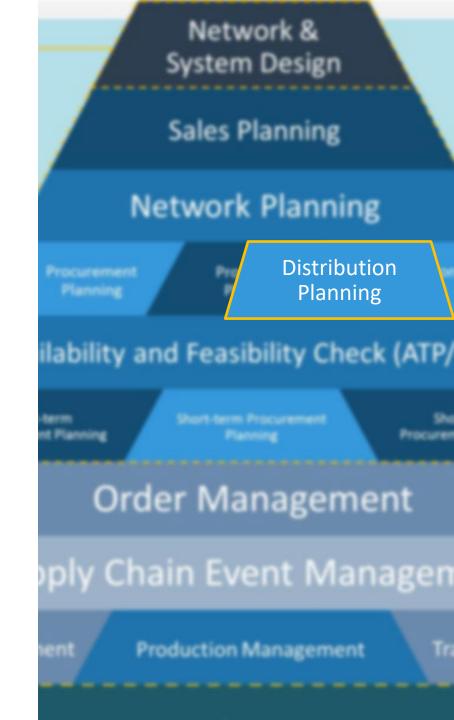
Logistics

#### **CHALLENGE:**

Concrete customer orders from order management are met

Projected requirements are met by demand planning

Results from production planning are taken into account



Distribution Planning

#### TARGET SYSTEM OF DISTRIBUTION PLANNING **DELIVERY PERFORMANCE DELIVERY SERVICE DELIVERY PERIOD DELIVERY QUALITY** Number of orders Supply readiness Average Average Number of batches Availability rate Minimum Minimum Delivery weight Delivery flexibility Maximum Maximum Supply volume Rush order rate Delivery frequency Delivery frequency Time frame for order intake Stock levels Stock levels

### <u>IMPLEMENTATION OF DISTRIBUTION GOALS WITH MINIMAL COSTS FROM:</u>

Transport, Warehousing and Order Processing