

contact all help to keep processing costs down.

What do operations managers do?

- 1 Directing the overall nature and strategy of the operation.
- 2 Designing the operation's services, products and processes.
- 3 Planning and control process delivery.
- 4 Developing process performance.

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Chapter 6 **supply network design**

The supply network perspective

why customers and suppliers act as they do.

- 2 It helps identify significant links in the network—not everyone in a supply network has the same degree of influence over the performance of the network as a whole. Some operations contribute more to the performance objectives that are valued by end customers.
- 3 It helps focus on long-term issues—a long-term supply network view would involve constantly examining technology and market changes to see how each operation in the supply networks might be affected.

Configuring the supply chain

- 1 'configuring' a supply network means determining its overall pattern. This includes two main sets of decisions:

- 1.1 First, what should be the pattern, shape or arrangement of the various operations that make up the supply network?
- 1.2 Second, how much of the network should a specific operation own?

Changing the shape of the supply network

- 1 This involves attempting to manage network behaviour by reconfiguring the network so as to change the scope of the activities performed in each operation and the nature of the

3.1 Deciding whether to invest in e-procurement applications (which can be expensive) depends on what is being bought.

3.2 Four questions seem to influence whether e-procurement will be appropriate.

3.2.1 Is the value of the spend high or low?

3.2.2 Is the product or commodity highly substitutable or not?

3.2.3 Is there a lot of competition or a little?

3.2.4 How efficient are your internal processes?

Global sourcing

1 It is the process of identifying, evaluating, negotiating and configuring supply across multiple geographies.

2 Most companies report a 1%–35 per cent cost saving by sourcing from low-cost-country suppliers.

3 There are a number of other factors promoting global sourcing:

3.1 The formation of trading blocks in different parts of the world has had the effect of lowering tariff barriers, at least within those blocks.

3.2 Transportation infrastructures are considerably more sophisticated and cheaper than they once were.

3.3 Perhaps most significantly, far tougher world competition has forced companies to look at reducing their total costs.

4 There are of course problems with global sourcing:

contribution.

2.2 Long-term expectations

2.3 Multiple points of contact

2.4 Joint learning

2.5 Few relationships

2.6 Joint co-ordination of activities

2.7 Information transparency

2.8 Joint problem-solving

2.9 Trust—willingness of one party to relate to the other on the understanding that the relationship will be beneficial to both, even though that cannot be guaranteed.

Customer relationship management (CRM)

1 It is a method of learning more about customers' needs and behaviours in order to develop stronger relationships with them.

2 It helps to sell products and services more effectively and increase revenues by:

2.1 Providing services and products that are exactly what your customers want.

2.2 Retaining existing customers and discovering new ones

2.3 Offering better customer service

2.4 Cross-selling products more effectively.

How do supply chains behave in practice

- 1 Efficient supply chain policies include keeping inventories low, especially in the downstream parts of the network, so as to maintain fast throughput and reduce the amount of working capital tied up in the inventory.
- 2 Information must flow quickly up and down the chain from retail outlet back up to the manufacturer so that schedules can be given the maximum amount of time to adjust efficiently.
- 3 The chain is then managed to make sure that products flow as quickly as possible down the chain to replenish what few stocks are kept downstream.
- 4 By contrast, responsive supply chain policy stresses high service levels and responsive supply to the end customer.
- 5 In this way, the chain can still supply even when dramatic changes occur in customer demand.
- 6 Fast throughput from the upstream parts of the chain will still be needed to replenish downstream stocks. But those downstream stocks are needed to ensure high levels of availability to end customers.

The bullwhip effect-supply chain dynamics

- 1 The bullwhip effect is used to describe how a small disturbance at the downstream end of a supply chain causes increasingly