

Table of Contents

PART ONE

FOUNDATION 00

Chapter 1

Introduction: Operations and Supply Chain Management 00

1. A Few Words on Terminology 00
2. Motivation 00
3. Purpose of This Book 00
4. Principles and Tools as a Theme 00
5. Concluding Comments 00
6. Exercises 00

Chapter 2

Information Technology: ERP Systems, SCA Systems, and E-Commerce 00

1. Enterprise Resource Planning Systems 00
2. Supply Chain Analytics Systems 00
3. Caveats 00
4. How Are ERP and SCA Systems Related to E-Commerce? 00
5. Emerging Information Technologies and Their Impact on SCM 00
6. Concluding Comments 00
7. Exercises 00

Chapter 3

Supply Chain Foundations: System Slack and Related Concepts 00

1. System Slack 00
 - 1.1 Quantity Uncertainty 00
 - 1.2 Time Lags 00
 - 1.3 Scale Economies 00

- 1.4 Changing Supply and Demand 00

- 1.5 Conflicting Objectives Across Departments or Firms 00

- 1.6 High Market Standards for Quick Response 00

- 1.7 Concluding Point 00

2. TQM and JIT 00

- 2.1 Brief Historical Perspective 00

- 2.2 Total Quality Management (TQM) 00

- 2.3 Just-in-Time (JIT) and Lean 00

3. Pull versus Push 00

4. Concluding Comments 00

5. Exercises 00

PART TWO

PRINCIPLES AND TOOLS

Chapter 4

Demand Management: Processing, Influencing, and Anticipating Demand 00

1. Processing Demand 00

2. Influencing Demand and the Role of Understanding Customer Profit Potential 00

3. Motivation for Anticipating Demand 00

4. Alternatives for Improving Forecast Accuracy 00

- 4.1 Introduce Early Warning Mechanisms 00

- 4.2 Take Advantage of the Law of Large Numbers 00

- 4.3 Reduce Information Delays and Replenishment Lead Times 00

- 4.4 Reduce Demand Volatility 00

- 4.5 Two Comments 00

5. Long-Term Forecasting 00

- 5.1 Judgment 00

- 5.2 Salesperson and Customer Input 00
- 5.3 Outside Services 00
- 5.4 Causal Methods 00
- 6. Short-Term Forecasting 00
 - 6.1 Components of Demand 00
 - 6.2 Moving Average 00
 - 6.3 Basic Exponential Smoothing 00
 - 6.4 Overview of the Winters Method 00
 - 6.5 Focus Forecasting 00
 - 6.6 Filtering 00
- 7. Summary and Managerial Insights 00
 - 7.1 Pay Attention to Order Processing 00
 - 7.2 Improve Forecast Accuracy by Changing Operations 00
 - 7.3 Consider Winters for Short-Term Forecasting 00
- 8. Exercises 00
 - Case Exercise: RJ Instruments 00

Chapter 4 Supplement

Winters Method 00

- 1. Winters Method without Seasonality 00
- 2. Winters Method without Trend 00
- 3. Winters Method 00

Chapter 5

Supply Management: Trends, Technologies, and Tactics 00

- 1. Trends 00
- 2. E-Commerce Technologies Related to Supply Management 00
 - 2.1 XML 00
 - 2.2 Electronic Data Interchange 00
 - 2.3 Vendor-Managed Inventory 00
 - 2.4 Collaborative Planning, Forecasting, and Replenishment 00
 - 2.5 Trade Exchanges 00
 - 2.6 Reverse Auctions 00
 - 2.7 Shopbots 00
- 3. Buyer/Seller Relationships 00
- 4. Tactical Considerations 00
 - 4.1 Total Value Perspective 00
 - 4.2 Volume Buying 00
 - 4.3 Contract Design 00
 - 4.4 Negotiating Tactics 00
- 5. Summary and Managerial Insights 00
 - 5.1 Keep Current on the Growth and Development of XML 00
 - 5.2 Tame the Bullwhip 00

- 5.3 Use Pareto Analysis to Identify and Prioritize Opportunities for Improvement 00
- 5.4 Work to Align Interests throughout the Supply Chain 00
- 6. Exercises 00
 - Case Exercise: KB Plumbing 00

Chapter 6

Inventory Management I: Deterministic Analysis 00

- 1. Inventory Roles and Costs 00
- 2. Transaction Costs and Economies of Scale 00
- 3. Order and Production Quantity Decisions 00
 - 3.1 Economic Order Quantity 00
 - 3.2* Economic Order Quantity with Planned Backorders 00
 - 3.3* Economic Production Quantity 00
 - 3.4* Economic Order Quantity with Quantity Discounts 00
 - 3.5* Economic Order Quantity Prior to a Price Increase 00
 - 3.6 Recap 00
- 4. Summary and Managerial Insights 00
 - 4.1 Operating Cost Increases with the Square Root of Volume when Operating Efficiently 00
 - 4.2 Transaction Cost per Period is Equal to Excess Cost per Period when Operating Efficiently 00
 - 4.3 Moderate Estimation Errors Have Minimal Impact on Cost 00
 - 4.4 Increase Ordering Frequency as Excess Cost Rate Goes Up or Cost per Transaction Goes Down 00
 - 4.5 Work to Reduce the Cost per Transaction 00
- 5. Exercises 00
 - Case Exercise: JNG Foods 00

Chapter 7

Inventory Management II: Stochastic Analysis 00

- 1. Costs of Demand Uncertainty 00
- 2. How Much to Order before a Short Selling Season 00
- 3. Policies for When and How Much to Order 00
 - 3.1 Base Stock Policy 00
 - 3.2 Continuous Review Policy (Q, R) 00
 - 3.3* Periodic Review Policy (I, S) 00

- 4.* Assessing Investments to Reduce Demand Uncertainty 00
- 5. Summary and Managerial Insights 00
 - 5.1 *The Optimal Service Level Depends on the Ratio of Shortage to Excess Cost Rates* 00
 - 5.2 *Lower Lead Times Translate into Lower Inventory Investment and Better Customer Service* 00
 - 5.3 *Each Percentage Point Increase in Fill Rate Requires an Increasing Incremental Investment in Inventory* 00
- 6. Exercises 00
 - Case Exercise: KKY Clothiers 00

Chapter 7 Supplement Models and Formulas 00

- 1. Single Period Model 00
- 2. Base Stock Policy 00
- 3. (Q, R) Policy 00
- 3. (I, S) Policy 00
- 4. Effect of Demand Uncertainty on Safety Stock and Fill Rate 00

Chapter 8 Capacity Management: Analysis and Psychology 00

- 1. Analysis 00
 - 1.1 *Deterministic Capacity Analysis* 00
 - 1.2 *Queueing Model Analysis* 00
 - 1.3 *Computer Simulation Analysis* 00
- 2. Psychology 00
- 3. Block Scheduling 00
- 4. Summary and Managerial Insights 00
 - 4.1 *Average Inventory = Throughput Rate × Average Flowtime* 00
 - 4.2 *Average Flowtime Skyrockets as Resource Utilization Gets Close to 100%* 00
 - 4.3 *Variance Causes Congestion and Delays* 00
 - 4.4 *Change Operations to Take Advantage of the Law of Large Numbers* 00
 - 4.5 *Manage Customer Perceptions and Expectations* 00
 - 4.6 *Avoid a Negative Impression at the Beginning of a Service Process* 00
 - 4.7 *Reduce Awareness of Time During the Waiting Process* 00
- 5. Exercises 00
 - Case Exercise: EPR Scientific A 00
 - Case Exercise: EPR Scientific B 00

Chapter 9 Production Management: Flow Control and Scheduling 00

- 1. Production Framework 00
- 2. When and How Much to Produce 00
 - 2.1 *Pull Systems* 00
 - 2.2 *Push Systems* 00
 - 2.3* *Combining Pull and Push* 00
- 3. Sequencing and Scheduling 00
 - 3.1 *Single-Machine Sequencing Rules* 00
 - 3.2 *Two Machines in Series* 00
 - 3.3 *Scheduling Problems are Hard* 00
- 4. Summary and Managerial Insights 00
 - 4.1 *Sequence Jobs in Order of Time-to-Value to Minimize Work-in-Process* 00
 - 4.2 *Use the EDD Rule to Determine if Work Can Be Completed On Time* 00
 - 4.3 *Beware of Scheduling Optimization Claims* 00
- 5. Exercises 00
 - Case Exercise: MA Life Happenings 00

Chapter 10 Transportation Management: Elements and Insights 00

- 1. Elements of Transportation 00
 - 1.1 *Modes* 00
 - 1.2 *Pricing* 00
 - 1.3 *Other Services and Service Providers* 00
- 2. Tactical Decisions 00
 - 2.1* *Delivery Frequency* 00
 - 2.2* *Multiple Stops* 00
 - 2.3 *Concluding Comments* 00
- 3. Strategic Decisions 00
 - 3.1 *Cross-Docking and Drop-Shipping* 00
 - 3.2 *Estimating Delivery Distance and Cost* 00
 - 3.3* *Market Area Models* 00
 - 3.4* *Impact of Inbound Freight* 00
 - 3.5 *Concluding Comments* 00
- 4. Summary and Managerial Insights 00
 - 4.1 *Replenishment Frequency Increases with Volume, Holding Cost, and Proximity to the Source* 00
 - 4.2 *Moderate Deviations from the Optimal Replenishment Frequency Have Little Impact on Cost* 00
 - 4.3 *Look for Stop-offs on the Way or in Close Proximity to the Final Destination* 00

- 4.4 *Average Distance is Proportional to the Square Root of the Market Area* 00
- 4.5 *Warehouse Overhead Cost is About 50% of Transportation Cost in a Well-Designed Network* 00
- 4.6 *Moderate Deviations from the Optimal Network Design Have Little Impact on Cost* 00
- 5. Exercises 00
 - Case Exercise: *GL Electric* 00

Supplement A

Network Models and Formulas

- 1. General Optimal Market Area Model 00
- 2. Optimal Market Length Model 00

Supplement B

Diagnostic Analysis Illustration 00

Supplement C

International Transportation: Services and Legal Requirements. 00

- 1. International Service Providers 00
 - 1.1 *Customs Brokers* 00
 - 1.2 *Freight Forwarders* 00
 - 1.3 *Carriers* 00
 - 1.4 *Banks* 00
- 2. International Commercial Terms 00
- 3. Foreign Trade Zones 00
- 4. United States Export Laws and Requirements 00
 - 4.1 *Documentation* 00
 - 4.2 *Other Considerations* 00
- 5. United States Import Laws and Requirements 00
 - 5.1 *Import Bonds* 00
 - 5.2 *Elements of Compliance* 00
 - 5.3 *Assists* 00
 - 5.4 *Security* 00
- 6. Concluding Comments 00
- 7. Glossary 00

Chapter 11

Quality Management: Tools for Process Improvement 00

- 1. Diagnosis 00
 - 1.1 *Pareto Analysis* 00
 - 1.2 *Cause-and-Effect Diagram* 00

- 2. Statistical Process Control 00
 - 2.1 *Control Charts for Variable Data* 00
 - 2.2* *Control Charts for Attribute Data* 00
- 3. Measures of Process Capability 00
- 4. Summary and Managerial Insights 00
 - 4.1 *Put Improvement Tools and Authority in the Hands of Those Close to the Action* 00
 - 4.2 *Quick Feedback Is Essential for Process Improvement* 00
- 5. Exercises 00
 - Case Exercise: *RR Logistics* 00

Supplement A

Control Chart Formulas 00

- 1. \bar{X} -Chart Formulas 00
- 2. R-Chart Formulas 00
- 3. S-Chart Formulas 00
- 4. P-Chart Formulas 00

Supplement B

Creative Problem Solving: Strategies and Pitfalls 00

- 1. Carefully Consider the Problem Definition 00
- 2. Check for Artificial Constraints 00
- 3. Strive for Flexibility in Idea Generation 00
- 4. Develop Fluency in Idea Generation 00
- 5. Recognize the Need for Persistence 00
- 6. Beware of the Curse of Experience 00
- 7. Concluding Comments 00
- 8. Further Reading 00
- 9. Exercises 00

PART THREE

SYNTHESIS

Chapter 12

Supply Chain Strategy: Frameworks and Synthesis 00

- 1. Overview of Strategic Frameworks 00
 - 1.1 *Process–Product Matrix* 00
 - 1.2 *Supply Chain–Product Matrix* 00
- 2. Supply Chain Operations Reference Model 00
- 3. Recap of System Slack and the Role of Principles, Insights, and Analysis Skill 00
- 4. Concluding Comments 00
- 5. Exercises 00
 - Case Exercise: *Video Rental Developments and the Supply Chain: Netflix, Inc.* 00

APPENDICES**Appendix 1****Principles of Nature: Insights into Human and System Behavior 00**

1. Benford's Law 00
2. Bullwhip Effect 00
3. Central Limit Theorem 00
4. Curse of Utilization 00
5. Curse of Variability 00
6. Fat-Head Effect 00
7. Hockey Stick Effect 00
8. It's Hard to Play Catch-Up Ball 00
9. Khintchine Limit Theorem 00
10. Law of Large Numbers 00
11. Little's Law 00
12. Obligation to Reciprocate 00
13. Pareto Phenomenon 00
14. Recency Effect 00
15. Satisfaction = Perception – Expectation 00
16. Time Distortion 00
17. Trumpet of Doom 00
18. Winner's Curse 00
19. Concluding Comments 00
20. Further Reading 00

Appendix 2**Linchpin of E-Commerce: Basics of Encryption and Digital Signatures 00**

1. Private and Public Key Cryptosystems 00
2. Complexity Theory 00
3. The Knapsack Public Key Cryptosystem 00
4. The RSA Public Key Cryptosystem 00
5. Digital Signatures and Digital Certificates 00
6. Concluding Comments 00
7. Further Reading 00

Appendix 3**Summary of Notation and Formulas 00****Appendix 4****Standard Normal Probability and Unit Normal Loss Table 00**

- References 00
Index 00