

# Making the Right Choices for Supply Chain Management: How to Develop a Practical Strategy to Meet Business Objectives

Jonathan A. Morell, Ph.D.

734 623-2520

[jmorell@erim.org](mailto:jmorell@erim.org)



3600 Green Court, suite 550

Ann Arbor, MI 48105

<http://www.erim.org>

## Scope of presentation

### How to look at supply chain management

- business models for relating to suppliers
- modeling information flow to determine priorities for supply chain management
- assessing business process capacity to support supply chain management
- assessing IT capacity to support supply chain management

### Your preferred method of requirements analysis

- Quality Function Deployment
- Critical success factors
- Strategic Value Analysis
- Concept mapping
- etc.

### Supply Chain Management Plan

# Choosing a Supply Chain Management Approach

- Business models for supply chain management
- Your goals for supplier management
  - map consequences of information flow
- Demands on your supply chain
  - reliability of supply
  - predictability of customer demand
- Business process support for supplier management
  - adherence to schedules, quality control, forecasting, etc.
- IT support of information requirements
  - volume
  - complexity
  - predictability

Supplier management options require different levels of coordination with suppliers

**tight**

multi-company federation

vendor managed inventory

just in time, outsource warehousing

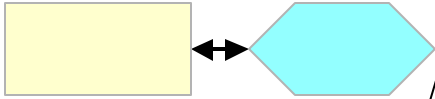
bid, negation with known supplier

order from known supplier (non-standard)

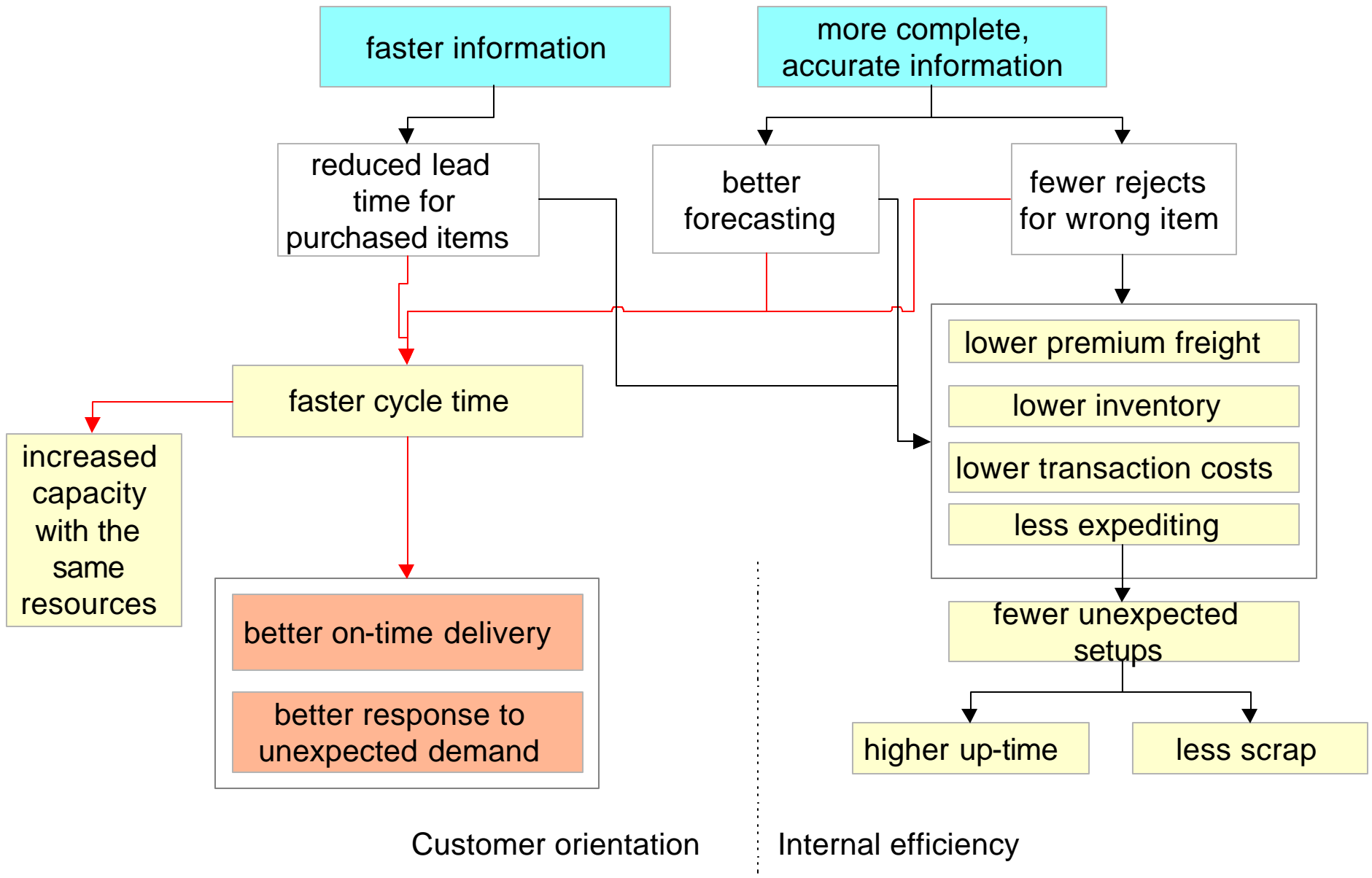
order from known supplier (standard item)

spot buy, known supplier

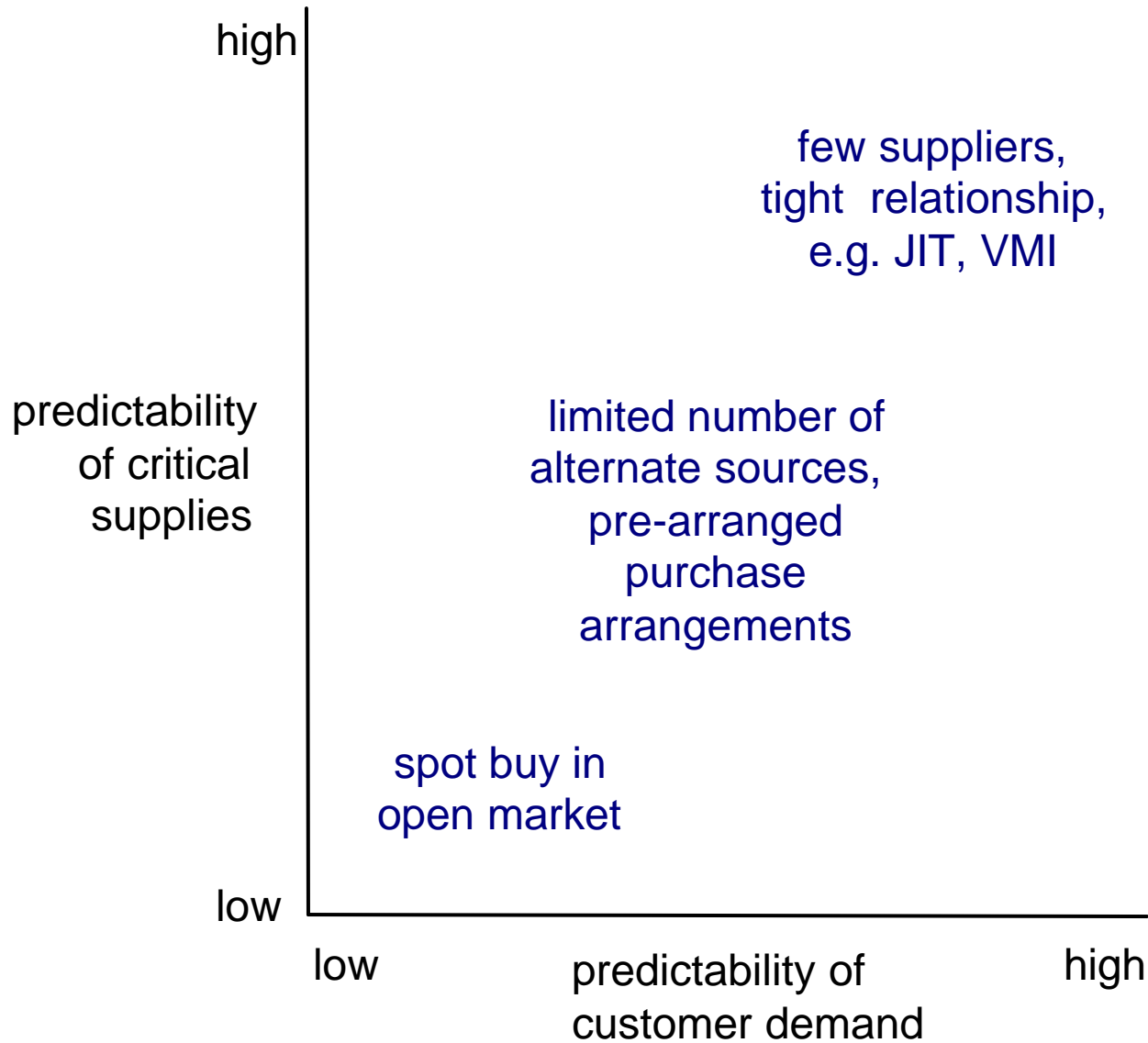
spot buy, open market



# Why Do You Want To Manage Your Supply Chain?



# Demands on Supply Chain

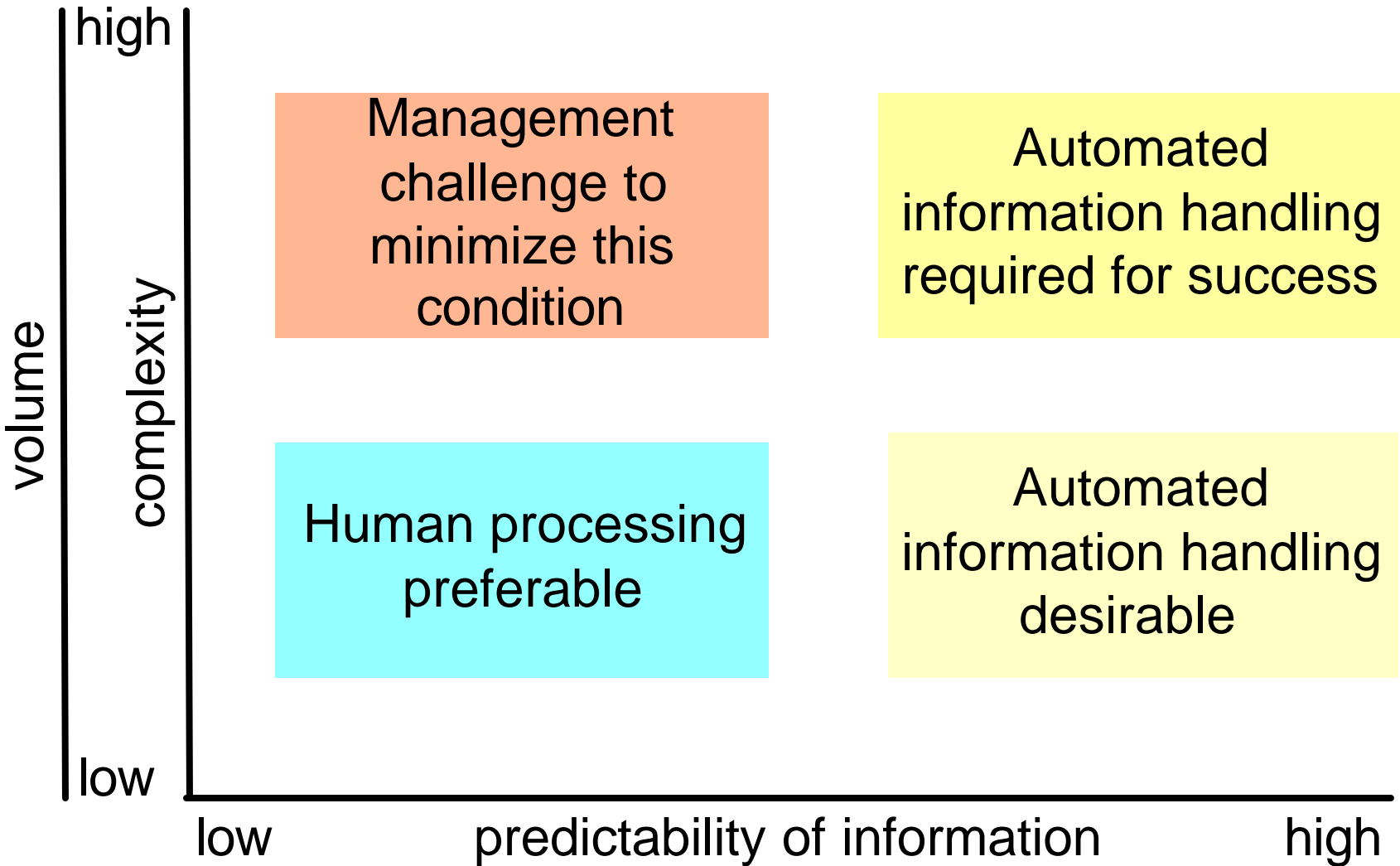


Uncertainty requires more flexibility in sources of supply.

# You + Suppliers: Can Business Process Support Supplier Management Choices?

- Supplier management options require minimum levels of business process quality, e.g.
  - accurate forecasting
  - internal information transfer
  - ability to negotiate
  - commitment to design, few ECN's
  - accurate requirements assessment
  - production quality control
  - version control for business and product data
- Ex: uncertain forecasting + poor quality control + unreliable internal communication = inability to commit to short, tight delivery schedules.

# Can IT Support A Chosen Supply Chain Management Approach?



# Technology, Business Process Can Ease IT Burden

- Business process examples
  - outsource EDI/EC functions
  - limit suppliers to EC capable companies
  - simplify via BPR, e.g. evaluated receipts settlement
  - consolidate buying across divisions
- Technology
  - Eforms → EDI interface
  - EDI → browser
  - electronic catalogs
  - IT infrastructure that makes these functions incremental changes to existing operations

# Set Reasonable Requirements

- Hit anywhere in the target
- Climb the curve with incremental improvements

