

**SYSTEMS
AND INDUSTRIAL ENGINEERING SERIES**

E-Enabled Operations Management

Jean-Pierre Briffaut



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Preface

Although the theory of operations management has been presented in many textbooks published over the last two decades, the subject of e-enabled operations management is rather short on literature which is easily accessible to students. When they want to gain some understanding of what it is all about, students are obliged to search journals and select papers from a large number of books. Even then they will find it difficult to arrive at a uniform view of the matter.

The objective of this book is to expound the subject at an “intermediate” level. By “intermediate”, it is not assumed that students are specialists in mathematics and statistics, but it is supposed they have a working knowledge of calculus, algebra, probability and statistics.

The approach to operations management described in this book is unusual with respect to what is found in standard textbooks. Information and communication technologies (ICTs) impact the ways firms are organized and managed, and, as a result, change the practical means used to conduct business operations.

The features of this book are threefold.

– *system approach to business modeling*

Business activities, controlling functions and associated information systems are described within a coherent analytical system framework enabling a clear understanding of the various current control and costing concepts. Operations costing is not usually included in textbooks as part of

operations management, but it should be. Cost targeting has become an integral part of good practice of business management.

– *validity of models*

Apparently simple models are analyzed in detail. Students must be completely aware of the assumptions made when models are formulated and of their conditions of validity. Applying a model automatically implies that assumptions of a particular type are taken for granted.

– *logistics, procurement and quality management*

These three business functions are critical key success factors for managing e-enabled supply chains from suppliers to customers. That is why their main tools are introduced in this book.

Jean-Pierre BRIFFAUT
May 2015

Contents

PREFACE	xiii
PART 1. MODELING OF BUSINESS STRUCTURES	1
CHAPTER 1. SYSTEM APPROACH TO BUSINESS OPERATIONS AND INFORMATION ENGINEERING	3
1.1. System approach to conduct business operations.	3
1.1.1. General considerations.	3
1.1.2. System description	4
1.2. Information engineering	6
1.2.1. Information as a resource	6
1.2.2. Explicit and implicit information.	6
1.2.3. Clarification of some terms	7
1.2.4. Characteristics of information systems	7
1.2.5. Information system content for a manufacturing company.	8
1.3. System approach to describing inventory-controlled storage	8
CHAPTER 2. BUSINESS MODELING BY PROCESS AND MANAGEMENT APPLICATIONS.	13
2.1. Process definition and control	13
2.1.1. Definition	13
2.1.2. Process control mechanisms	14
2.2. Process modeling in perspective	15
2.2.1. General considerations.	15

2.2.2. Management applications	17
2.3. Management by process	19
2.3.1. Activity-based costing and budgeting of products/services	20
2.3.2. Activity-based management.	28
2.3.3. Information system: relationships between processes, activities and data	30
CHAPTER 3. BUSINESS MODELS: CONTROL MODELS, FLOW MODELS, ORGANIZATION MODELS, FUNCTION MODELS	33
3.1. Organizational structure as a blueprint for information systems	33
3.2. Business models	36
3.2.1. Definitions	36
3.2.2. Examples of business models.	38
3.2.3. Example of business function model	39
3.2.4. Examples of business flow model	40
3.3. Aris-toolset: a software-toolset: a software package for business modeling	43
3.3.1. Introduction	43
3.3.2. Logic connectors in event-driven processes	45
3.3.3. Exercises	46
3.4. Supply-chain operations reference modeling	49
3.4.1. Introduction	49
3.4.2. What is a process reference model?	50
3.4.3. Model scope and structure.	52
3.4.4. Applying the reference model to configurability	54
PART 2. MANAGERIAL CONCEPTS AND SOFTWARE PACKAGES IN PERSPECTIVE	57
CHAPTER 4. FROM MATERIALS REQUIREMENT PLANNING (MRP) TO ENTERPRISE RESOURCE PLANNING (ERP) CONCEPTS AND THE ASSOCIATED SOFTWARE PACKAGES (PICS AND COPICS OF IBM TO ERP-LABELED PACKAGES)	59
4.1. From MRP to ERP concepts.	59
4.1.1. Overview of the evolution of management thinking	59
4.1.2. Correlation between management thinking and DBMS	63
4.1.3. Styles of manufacturing	64

4.2. Inventory control system	65
4.2.1. Basic model: reorder quantity	65
4.2.2. Basic model: lead time and threshold stock	67
4.2.3. Generalization of the basic model	68
4.2.4. Probabilistic situation: service levels and safety stock	69
4.2.5. Delivering into stock over time: economic manufacturing quantity (EMQ)	72
4.3. Manufacturing resource planning	76
4.3.1. Defining planning and scheduling	76
4.3.2. General description of the MRP technique	76
4.3.3. MRP-related concepts in action	80
4.3.4. Implementation of MRP-related concepts in the maintenance field.	88
4.4. The just-in-time concept	93
4.4.1. Introduction	93
4.4.2. Core features of the just-in-time concept	94
4.4.3. JIT and inventory management.	96
4.4.4. JIT and resources capacities.	97
4.4.5. JIT and kanban	99
4.5. Customer order decoupling point	102
4.5.1. Description.	102
4.5.2. Deploying an MPS within a CODP context	103
4.6. Contrasting the various control concepts	104
CHAPTER 5. SPECIFIC FEATURES OF ERP PACKAGES	107
5.1. Featuring ERP philosophy of software packages.	107
5.2. ERP-tagged software packages for managing business processes available in the marketplace	108
5.3. Function capabilities of the SAP CRM package	108
5.3.1. Why CRM?	108
5.3.2. Function capabilities of CRM software systems	110
5.4. Reference control model of a manufacturing firm	111
5.5. Finance reference control model	120

PART 3. BEYOND ERP PACKAGES: THE E-ENABLED ENTERPRISE	123
CHAPTER 6. CHANGE IN BUSINESS PROCESSES INDUCED BY E-COMMERCE AND E-BUSINESS	125
6.1. General considerations for approaching the digital economy	125
6.2. Change in business structures	127
6.3. Microeconomic approach to the digital economy	130
6.4. E-commerce	132
6.4.1. Distinction between e-commerce and e-business	132
6.4.2. E-commerce from different perspectives	133
6.4.3. Business models for e-commerce exchanges.	135
6.5. Changes in business processes induced by e-enabled business operations.	135
6.5.1. Dell business model and its evolution.	136
6.5.2. Bricks-and-mortar model	138
6.5.3. Virtual firm model	139
6.6. Online auction process	140
6.6.1. Introduction	140
6.6.2. Online auction process in a high-tech manufacturing company	140
6.6.3. Description of the market place COVISINT	143
6.6.4. Exercise	144
6.7. E-commerce, sales chains and ROI.	149
6.7.1. General setting	149
6.7.2. ROI of e-commerce in sales chains	152
CHAPTER 7. CONTROL PARAMETERS FOR E-ENABLED SUPPLY CHAIN	155
7.1. Collaborative planning, forecasting and replenishment	155
7.2. Control parameters for e-enabled supply chain.	157
7.2.1. Master production schedule.	158
7.2.2. Projected available balance (PAB)	159
7.2.3. Available to promise (ATP)	159
7.3. The bullwhip effect	160
7.3.1. The model	161

CHAPTER 8. INTEGRATION OF ERP PROCESSES WITH E-COMMERCE AND E-BUSINESS PATTERNS	163
8.1. Information system architecture and business processes	163
8.1.1. What is a layer architecture?	163
8.1.2. What is a layer architecture describing a business?	164
8.1.3. Developing a layer architecture	165
8.1.4. Relations between different layers	166
8.1.5. Relations between different subsystems inside a layer	167
8.2. Business workflows and information system architecture	168
8.3. Integration of ERP processes with e-commerce and e-business	169
CHAPTER 9. ROLES OF INFORMATION TECHNOLOGIES FOR MAKING BUSINESS MODELS FLEXIBLE	175
9.1. Information technologies: engine of change	175
9.1.1. CAD/CAM.	176
9.1.2. Quality of service and speed of delivery	176
9.1.3. Virtual organizations	176
9.2. Approach to the specific functions of virtual collaborative context	177
9.3. Applications of portals	181
9.3.1. How portals impact business organizations	181
9.3.2. Portals and negotiations in business life	181
9.3.3. Scenario of a collaborative e-enabled working environment in the fashion-sensitive textile sector	184
9.3.4. Example of a collaborative design environment.	191
9.3.5. Benefits of electronic negotiations.	193
PART 4. CRITICAL BUSINESS FUNCTIONS FOR E-ENABLED OPERATIONS MANAGEMENT	197
CHAPTER 10. LOGISTICS	199
10.1. Logistics in perspective	199
10.1.1. Overview	199
10.1.2. Components of logistics	200
10.1.3. Logistics and the digital economy	201
10.2. Logistics and hierarchical layers of management within the framework of supply chain management.	203

10.2.1. General context	203
10.2.2. Promotion of logistics strategy by Toshiba of Japan	205
10.3. Information system for e-logistics.	206
10.3.1. Introduction	206
10.3.2. Goods movement control system and its components from the customer side.	208
10.3.3. Goods movement control system and its components from the provisioning side	211
10.3.4. Electronic data interchange	214
10.4. Logistics flow process management: logistics performance indicators	224
10.4.1. Definition.	224
10.4.2. Logistics key indicators	224
10.4.3. Definitions of logistics key indicators	226
10.5. Location analysis of warehouses and transportation	227
10.5.1. Transportation method	228
10.5.2. Procedure of the transportation method	229
10.5.3. Stepping-stone method	229
10.5.4. VAM method	230
10.5.5. Problem setting	231
10.5.6. Solution with the northwest corner rule and the stepping-stone method.	232
10.6. Reverse logistics: cash from trash and environmental issues	235
CHAPTER 11. SOURCING AND PHYSICAL DISTRIBUTION	237
11.1. Sourcing policy.	237
11.1.1. Pure market option	237
11.1.2. Controlled competition option	238
11.1.3. Vertical integration option.	238
11.1.4. Advantages versus disadvantages of the various options in relation to business strategy and types of products	239
11.2. Physical distribution policy.	243
11.2.1. Objectives and constraints	243
11.2.2. Various patterns of physical distribution	244
11.2.3. Choice of a physical distribution option.	245

CHAPTER 12. QUANTITATIVE QUALITY MANAGEMENT	247
12.1. ISO 9000 standards: impact upon business operations.	247
12.2. Acceptance testing.	248
12.3. Operating characteristic curve	248
12.4. Average outgoing quality.	252
12.5. Terms used in an acceptance plan for attributes.	255
PART 5. CASE STUDIES.	257
CHAPTER 13. CASE STUDIES: HELLAS CORPORATION AND THE E-ENABLED CAR INDUSTRY	259
13.1. Hellas Corporation case study	259
13.2. The e-enabled car industry	263
13.2.1. Introduction	263
13.2.2. Assignment.	264
13.2.3. Car manufacturing	264
INDEX	269

PART 1

Modeling of Business Structures

System Approach to Business Operations and Information Engineering

1.1. System approach to conduct business operations

1.1.1. *General considerations*

The system approach is instrumental in tackling complexity in the managerial as well as technical worlds. The system concept is a modeling tool based on interacting entities. Its purpose is to understand complex structures by (de)composing them into entities having specific functions and interacting with each other.

The “composition” approach is implemented when designing a real or virtual object. The “decomposition” approach is implemented when analyzing some existing part of the world.

In both approaches, systems are constructed with a view to identifying certain function capabilities perceived by the users to be desirable. Examples of function-based systems include: defending the country, transmitting messages, transporting people and goods, manufacturing goods, exchanging products and services, etc.

In general, users are known not to be able to articulate all their requirements and expectations. Therefore, at the planning stage, there always exists a considerable uncertainty about many aspects of the system to be built, or, in other words, the system behavior. That explains why prototypes

have to be built for checking whether the users' requirements are adequately fulfilled.

Systems do not exist in isolation. Each operates within a definite environment. But the ways a system interacts with its environment may prove to be of a wide variety. In other words, how and when some types of interaction take place have to be ascribed to uncertain or random events. As a result in certain circumstances, the system behavior can run out of control. These circumstances refer to events or sequences of events which have not been taken into account at the design stage of the system.

1.1.2. System description

Describing a system implies:

- describing its constituent entities as attributes;
- describing the inter-entity relationships;
- describing the relationships between entities and the environment.

Each entity can be a system in itself.

When a business unit is described as a system, the purpose is to control its business operations. Three entities have to be identified, i.e. the controlled system, the controlling system and the information system (IS). The controlled system, often called the transformation system, because it converts inputs into outputs, is modeled generally as a process. The relationships between these three entities are shown in Figure 1.1.

It is noteworthy to elaborate on Figure 1.1 for understanding the features of the system approach to business description. What is meant by direct and indirect control? Direct control refers to the direct action on the controlled process to maintain or change its state. Indirect control resorts to some entity external to the system for influencing the state of the controlled process by means of inputs.

Let us take an example to explain how the messages exchanged between the entities involved are articulated and how their contents trigger decisions. The controlled process is assumed to be a manufacturing process made of

storage and production activities. A message coming from the market place (environment data) is captured and processed by the IS. The message content says that a market slump is forecast. It is directed to the production scheduler in an appropriate format (control data). As a consequence, the scheduler decides to reduce the production level by releasing orders to the manufacturing shops (direct control) on the basis of inventory levels (process data) and to send orders to suppliers to decrease the number of deliveries (indirect control).

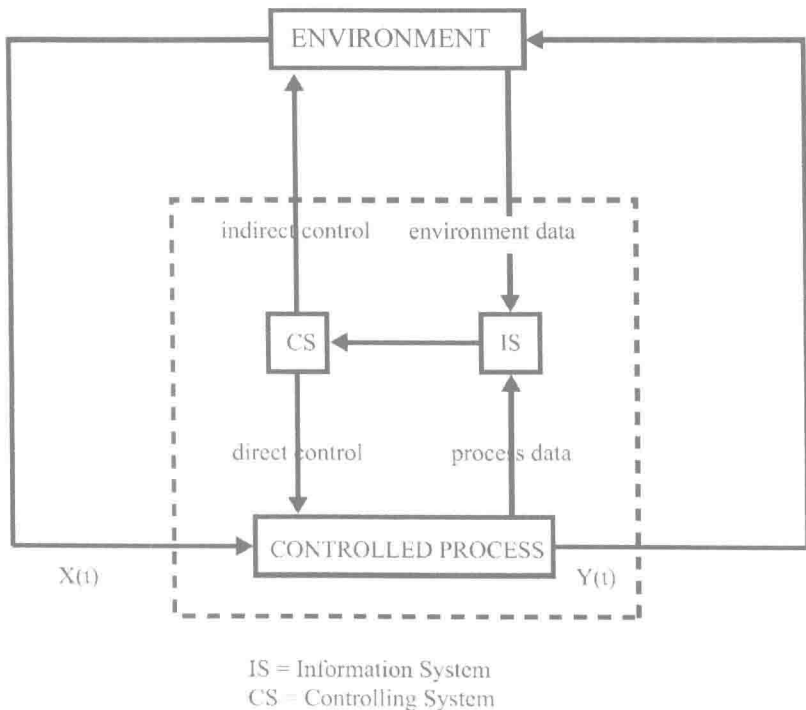


Figure 1.1. Relationships between the various entities of a business unit within the framework of a system approach

Describing any business organization as a system means:

- identifying and modeling the system to be controlled (WHAT);