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
# E-Enabled Operations Management

## Chapter 2. Management Applications
- 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

- 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