Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Business plan

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Competitive advantage

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Corporate culture

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Downstream

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Key success factors

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Manufacturing planning and control (MPC) system

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Mission

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Mission statement

The advantage a company has over its rivals in attracting customers in relation to its competitors. Sources of the advantage include characteristics that a competitor cannot duplicate without substantial cost and risk, such as a manufacturing technique, brand name, or human skill set. Syn.: competitive edge.

1) A statement of long-range strategy and revenue, cost, and profit objectives usually accompanied by budgets, a projected balance sheet, and a cash flow statement. A business plan is usually stated in terms of dollars and grouped by product family, which is then translated into tactical functional plans through the production planning process or the sales and operations planning (S&OP) process. See: business planning, long-term planning, strategic plan. 2) A document consisting of the business details (organization, strategy, and financing tactics) prepared by an entrepreneur to plan for a new business.

Used as a relative reference within a firm or supply chain to indicate moving in the direction of the end customer. Ant.: upstream.

The set of important assumptions that members of the company share. It is a system of shared values about what is important and shared beliefs about how the company works. These common assumptions influence the ways the company operates.

A closed-loop feedback system that includes the functions of production planning (sales and operations planning), master production scheduling, material requirements planning (MRP), and capacity requirements planning (CRP). Once the plan has been accepted as realistic, execution begins. The execution functions include input/output control (I/O control), detailed scheduling, dispatching, and supplier scheduling. A closed-loop MRP system is one example of a MPC system.

The product attributes, organizational strengths, and accomplishments with the greatest impact on future success in the marketplace.

The company statement of purpose.

The overall goal(s) for an organization set within the parameters of the business scope.

Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Service industry

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Strategic plan

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Strategy

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Supply chain

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Supply chain management

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Upstream

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Vision

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Module 1
Section A: Supply Chains, the Environment, and Strategy

Term
Vision statement

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A plan for how to marshal and determine actions to support the mission, goals, and objectives of an organization. A strategic plan generally includes an organization's explicit mission, goals, and objectives as well as the specific actions needed to achieve those goals and objectives. See: business plan, strategic planning, strategy, tactical plan(s).

1) In its narrowest sense, an organization that provides an intangible product (e.g., medical or legal advice). 2) In its broadest sense, all organizations except farming, mining, and manufacturing. The service industry includes retail trade; wholesale trade; transportation and utilities; finance, insurance, and real estate; construction; professional, personal, and social services; and local, state, and federal governments.

The flow of products, information and money through a network of partners from raw material suppliers to end users.

For an enterprise, identifies how the company will function in its environment. The strategy specifies how to satisfy customers, how to grow the business, how to compete in its environment, how to manage the organization and develop capabilities within the business, and how to achieve financial objectives. See: strategic plan.

Used as a relative reference within a firm or supply chain to indicate moving in the direction of the raw material supplier. Ant.: downstream.

The design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance globally.

An organization's statement of its vision. See: vision.

The shared perception of the organization's future—what the organization will achieve and a supporting philosophy. This shared vision must be supported by strategic objectives, strategies, and action plans to move it in the desired direction. See: vision statement.

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Competitive analysis

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Core competencies

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Core process

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Diversification strategy

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Environmental scanning

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Five-forces model of competition

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Functional product

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Horizontally integrated firm

Skills or knowledge that enable a firm to provide the greatest level of value to its customers in a way that is difficult for competitors to emulate and that provides for future growth. Core competencies may be in the form of technology, skills of personnel, or knowledge and expertise solely owned by the organization.

An analysis of a competitor that includes its strategies, capabilities, prices, and costs.

An expansion of the scope of the product line to exploit new markets. A key objective of a diversification strategy is to spread the company's risk over several product lines in case there should be a downturn in any one product's market.

That unique capability that is central to a company's competitive strategy.

A methodology for analyzing competitive pressures in a market and assessing the strength and importance of each of those pressures.

A process used to determine an organization's potential strengths, weaknesses, opportunities, and threats. Many experts emphasize opportunities and threats because the tool is primarily external. See: PESTLE analysis, SWOT analysis.

An organization that seeks to produce or sell a type of product in numerous markets. Horizontal integration exists when an organization produces or sells similar products in various geographical locations. Horizontal integration in marketing occurs more frequently than horizontal integration in production. See: vertically integrated firm.

Mature products that tend to have long product life cycles, low profit margins, and predictable demand. Ant.: innovative product.

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Macro environment

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Merger

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Multicountry strategy

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Multinational strategy

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Outsourcing

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Product life cycle

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Product positioning

Module 1
Section B: Environment Analysis and Strategic Scope

Term
Resource

The acquisition of the assets and liabilities of one company by another.

The environment external to a business including technological, economic, natural, and regulatory forces that marketing efforts cannot control.

A strategy to out-compete rivals that focuses on opportunities to achieve cross-business and cross-country coordination, thereby enabling economies of scope and an improved competitive position with regard to reducing costs, cross-country subsidization, and so on. See: global strategy.

A strategy in which each country market is self-contained. Customers have unique product expectations that are addressed by local production capabilities. Syn.: multidomestic strategy.

The stages a new product goes through from beginning to end, from initial research and development, through growth and maturity, to decline and phase-out. See: life cycle analysis.

The process of having suppliers provide goods and services that were previously provided internally. Outsourcing involves substitution—the replacement of internal capacity and production by that of the supplier. See: offshore, subcontracting. Ant.: insourcing.

Anything that adds value to a good or service in its creation, production, or delivery.

The marketing effort involved in placing a product in a market to serve a particular niche or function. Syn.: service positioning.

Module 1
Section B: Environment Analysis and Strategic Scope

Term
SWOT analysis

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Section B: Environment Analysis and Strategic Scope

Term
Subcontracting

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Module 1
Section B: Environment Analysis and Strategic Scope

Term
Trading partner

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Section B: Environment Analysis and Strategic Scope

Term
Value chain

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Section B: Environment Analysis and Strategic Scope

Term
Value chain analysis

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Module 1
Section B: Environment Analysis and Strategic Scope

Term
Vertical integration

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Module 1
Section B: Environment Analysis and Strategic Scope

Term
Vertically integrated firm

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Module 1
Section C: Developing and Managing Strategy at Various Levels

Term
Business strategy

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Sending production work outside to another manufacturer. See: outsourcing.

An analysis of the strengths, weaknesses, opportunities, and threats of and to an organization. SWOT analysis is useful in developing strategy. See: environmental scanning.

The functions within a company that add value to the goods or services that the organization sells to customers and for which it receives payment.

Any organization external to the firm that plays an integral role within the supply chain community and whose business fortune depends on the success of the supply chain community.

The degree to which a firm has decided to directly produce multiple value-adding stages from raw material to the sale of the product to the ultimate consumer. The more steps in the sequence, the greater the vertical integration. A manufacturer that decides to begin producing parts, components, and materials that it normally purchases is said to be backward integrated. Likewise, a manufacturer that decides to take over distribution and perhaps sale to the ultimate consumer is said to be forward integrated. See: backward integration, forward integration.

An examination of all links a company uses to produce and deliver its products and services, starting from the origination point and continuing through delivery to the final customer.

A plan for choosing how to compete. Business strategies can be classified into four general categories: (1) least cost, (2) differentiation, (3) focus, and (4) best cost.

An organization with functions that were previously performed by suppliers but are now done internally. See: horizontally integrated firm.

Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Insourcing

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Licensing

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Make-or-buy decision

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Operational plan

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Order qualifier

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Order winner

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Product profiling

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Module 1

Section C: Developing and Managing Strategy at Various Levels

Term

Value-driven enterprise

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Paying a fee for permission to manufacture and sell a product created by another.

Using the firm’s internal resources to provide goods and services. See: make-or-buy decision. Ant.: outsourcing.

A short-range plan and schedule detailing specific actions. Operational plans are more detailed than strategic and tactical plans and cover a shorter time horizon. See: operational planning, strategic planning, tactical planning.

The act of deciding whether to produce an item internally or buy it from an outside supplier. Factors to consider in the decision include costs, capacity availability, proprietary and/or specialized knowledge, quality considerations, skill requirements, volume, and timing. See: make or buy cost analysis.

A competitive characteristic that causes a firm’s customers to choose that firm’s goods and services over those of its competitors. Order winners can be considered to be competitive advantages for the firm. Order winners usually focus on one (rarely more than two) of the following strategic initiatives: price or cost, quality, delivery speed, delivery reliability, product design, flexibility, aftermarket service, and image. See: order loser, order qualifier.

A competitive characteristic that a firm must exhibit to be a viable competitor in the marketplace. For example, a firm may seek to compete on characteristics other than price, but in order to qualify to compete, its costs and the related price must be within a certain range to be considered by its customers. Syn.: qualifiers. See: order loser, order winner.

An organization that is designed and managed to add utility from the viewpoint of the customer in the transformation of raw materials into a finished good or service.

1) A graphical device used to ascertain the level of fit between a manufacturing process and the order-winning criteria of its products. It can be used at the process or company level to compare the manufacturing capabilities with the market requirements to determine areas of mismatch and identify steps needed for realignment. 2) Removing material around a predetermined boundary by means of numerically controlled machining. The numerically controlled tool path is automatically generated on the system.

Module 1
Section D: Performance Monitoring and KPIs

Term
Balanced scorecard

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Section D: Performance Monitoring and KPIs

Term
Cash conversion cycle

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Section D: Performance Monitoring and KPIs

Term
Cash-to-cash cycle time

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Section D: Performance Monitoring and KPIs

Term
Cost center

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Section D: Performance Monitoring and KPIs

Term
Current ratio

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Module 1
Section D: Performance Monitoring and KPIs

Term
Digital transformation

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Module 1
Section D: Performance Monitoring and KPIs

Term
Global measurements

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Module 1
Section D: Performance Monitoring and KPIs

Term
Inventory turnover

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1) In retailing, the length of time between the sale of products and the cash payments for a company's resources. 2) In manufacturing, the length of time from the purchase of raw materials to the collection of accounts receivable (AR) from customers for the sale of products or services. See: order-to-cash (O2C) cycle.

A list of financial and operational measurements used to evaluate organizational or supply chain performance. The dimensions of the balanced scorecard might include customer perspective, business process perspective, financial perspective, and innovation and learning perspectives. It formally connects overall objectives, strategies, and measurements. Each dimension has goals and measurements.

A segment of an organization, typically a department, for which costs are collected and formally reported. The criteria in defining cost centers are that the cost be significant and that the area of responsibility be clearly defined. A cost center is not necessarily identical to a work center.

An indicator of how efficiently a company manages its assets to improve cash flow. This is calculated as inventory days plus accounts receivable (AR) days minus accounts payable (AP) days. See: cash conversion cycle, operating cycle.

The creation of new business processes or the enhancement of existing business processes through the adoption of digital technologies to improve internal and external coordination of operations and to provide increased customer value.

Current assets divided by current liabilities. See: liquidity ratio.

The number of times that an inventory cycles, or turns over, during a time period, such as a year. A frequently used method to compute inventory turnover is to divide the annual cost of sales by the average inventory level. For example, an annual cost of sales of $21 million divided by an average inventory of $3 million means that inventory turned over seven times. Syns.: inventory turns, turnover. See: inventory velocity.

A set of related measurements used across an entire organization, rather than a specific resource, operation, process, or item. See: local measurements.

Module 1
Section D: Performance Monitoring and KPIs

Term
Key performance indicator (KPI)

Module 1
Section D: Performance Monitoring and KPIs

Term
Labor standard

Module 1
Section D: Performance Monitoring and KPIs

Term
Local measurements

Module 1
Section D: Performance Monitoring and KPIs

Term
Net operating cash flow

Module 1
Section D: Performance Monitoring and KPIs

Term
Operational performance measurement

Module 1
Section D: Performance Monitoring and KPIs

Term
Performance measurement system

Module 1
Section D: Performance Monitoring and KPIs

Term
Performance objective

Module 1
Section D: Performance Monitoring and KPIs

Term
Quality control

Under normal conditions, the quantity of worker time required to complete a product, process, or task.

1) A financial or nonfinancial measure that is used to define and assess progress toward specific organizational goals and that typically is tied to an organization’s strategy and business stakeholders. A KPI should not be contradictory to other departmental or strategic business unit performance measures. 2) A metric used to measure the overall performance or state of affairs. Supply Chain Operations Reference (SCOR) level 1 metrics are considered KPIs.

The difference between an organization's cash inflows and outflows over a specified time period. Net operating cash flow often is calculated as net operating profit after taxes plus depreciation and amortization, minus net increases in working capital requirements. This represents the organization's ability to generate cash flows from its operations to offset its operating expenses.

A set of measurements related to a specific resource, operation, process, or item, that may or may not correlate to global organization measurements. Examples include departmental efficiency, process yield, and days of supply (DOS). See: global measurements.

A system for collecting, measuring, and comparing a measure to a standard for a specific criterion for an operation, item, good, service, business, etc. Syn.: metric. See: performance criterion, performance measure, performance standard.

A performance measurement related to machine, worker, process, or department efficiency; utilization; throughput; and inventory levels. See: performance objective, strategic performance measurement.

The process of measuring quality conformance by comparing the actual with a standard for the characteristic and taking corrective actions on the difference. See: quality assurance/control.

A measurement that enables the firm to monitor whether or not the firm’s strategy is being accomplished. Thus, the measurement should be aligned to strategy. Performance objectives may differ based on the hierarchical level of the firm (e.g., department, business unit, or corporation) and should be aligned with the corresponding strategy for that level. See: operational performance measurement, strategic performance measurements.

Module 1
Section D: Performance Monitoring and KPIs

Term
Quick asset ratio

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Module 1
Section D: Performance Monitoring and KPIs

Term
SCOR metrics

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Module 1
Section D: Performance Monitoring and KPIs

Term
Standard

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Module 1
Section D: Performance Monitoring and KPIs

Term
Strategic performance measurements

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Module 1
Section D: Performance Monitoring and KPIs

Term
Supply Chain Operations Reference (SCOR) model

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Module 1
Section D: Performance Monitoring and KPIs

Term
Tactical plan(s)

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Module 1
Section D: Performance Monitoring and KPIs

Term
Total factor productivity

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Module 1
Section D: Performance Monitoring and KPIs

Term
What-if analysis

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In Supply Chain Operations Reference (SCOR), metrics measure the ability of processes to achieve the strategic objectives associated with performance attributes. SCOR recognizes three levels of predefined metrics: Level 1 metrics are diagnostics for the overall health of the supply chain. Level 2 metrics serve as diagnostics for the level 1 metrics. Level 3 metrics serve as diagnostics for level 2 metrics.

A measure of a firm's financial stability. It is calculated by subtracting inventory from current assets and then dividing that amount by current liabilities. A value greater than 1 is desirable. Syns.: quick ratio, acid test, acid test ratio.

Measurements that relate to the long-term goals of a business. Examples include profitability, market share, growth, and productivity. See: global measurements, operational performance measurement, performance objective.

1) An established norm against which measurements are compared. 2) An established norm of productivity defined in terms of units of output per set time (e.g., units per hour) or in standard time (e.g., minutes per unit). 3) The time allowed to perform a specific job including quantity of work to be produced. See: standard time.

The set of functional plans (e.g., production plan, sales plan, marketing plan) synchronizing activities across functions that specify production levels, capacity levels, staffing levels, funding levels, and so on for achieving the intermediate goals and objectives to support the organization's strategic plan. See: aggregate planning, production planning, sales and operations planning (S&OP), strategic plan, tactical planning.

A process reference model developed by the Supply Chain Council and endorsed by the Association for Supply Chain Management (ASCM) as the standard cross-industry diagnostic tool for supply chain management. The SCOR model describes the business activities associated with satisfying a customer's demand, which include Orchestrate, Plan, Source, Order, Transform, Fulfill, and Return. Use of the model includes analyzing the current state of a company's processes and goals, quantifying operational performance, and comparing company performance to benchmark data. SCOR has developed a set of metrics for supply chain performance, and ASCM members have formed industry groups to collect best practices information that companies can use to evaluate their supply chain performance.

The process of evaluating alternate strategies by answering the consequences of changes to forecasts, manufacturing plans, inventory levels, and so forth. See: simulation.

A measure of productivity (of a department, plant, strategic business unit, firm, etc.) that combines the individual productivities of all its resources, including labor, capital, energy, material, and equipment. These individual factor productivities are often combined by weighting each according to its monetary value and then adding them. For example, if material accounts for 40 percent of the total cost of sales, labor 10 percent of the total cost of sales, and other resources 60 percent, total factor productivity = .4 (material productivity) + .1 (labor productivity) + .6 (other resource productivity).