Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Bullwhip effect

Module 8
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Term
Business plan

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Business strategy

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Capacity

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Competitive analysis

Module 8
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Term
Customer service

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Demand-driven material requirements planning (DDMRP)

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Demand-driven supply network

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 (source and application of funds) statement. [It] is usually stated in terms of dollars and grouped by product family. [It] is then translated into synchronized tactical functional plans through the production planning process (or the sales and operations planning process). Although frequently stated in different terms (dollars versus units), these tactical plans should agree with each other and with [this concept]. See: 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.

An extreme change in the supply position upstream in a supply chain generated by a small change in demand downstream in the supply chain. Inventory can quickly move from being backordered to being excess. This is caused by the serial nature of communicating orders up the chain with the inherent transportation delays of moving product down the chain. [This] can be eliminated by synchronizing the supply chain.

1) The capability of a system to perform its expected function. 2) The capability of a worker, machine, work center, plant, or organization to produce output per time period. Capacity required represents the system capability needed to make a given product mix (assuming technology, product specification, etc.). As a planning function, both capacity available and capacity required can be measured in the short term (capacity requirements plan), intermediate term (rough-cut capacity plan), and long term (resource requirements plan). Capacity control is the execution through the I/O control report of the short-term plan. Capacity can be classified as budgeted, dedicated, demonstrated, productive, protective, rated, safety, standing, or theoretical. See: capacity available, capacity required. 3) Required mental ability to enter into a contract.

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

1) The ability of a company to address the needs, inquiries, and requests of customers. 2) A measure of the delivery of a product to the customer at the time the customer specified.

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

A situation in which a customer purchase initiates real-time information flows through the supply chain that consequently cause movement of product through the network.

A method for planning material needs that enables a company to build more closely to actual market requirements.

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Economic value added (EVA)

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Efficiency

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Term
Functional product

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Global strategy

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Inventory optimization

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Key success factors

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Mass marketing

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Section A: Optimizing Supply Chain Strategy and Tactics

Term
Multicountry strategy

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A measurement (usually expressed as a percentage) of the actual output relative to the standard output expected. [This] measures how well something is performing relative to existing standards; in contrast, productivity measures output relative to a specific input (e.g., tons/labor hour). [It] is the ratio of (1) actual units produced to the standard rate of production expected in a time period, or (2) standard hours produced to actual hours worked (taking longer means less [of this]), or (3) actual dollar volume of output to a standard dollar volume in a time period. For example: (1) There is a standard of 100 pieces per hour and 780 units are produced in one eight-hour shift; [this] is 780 ÷ 800 converted to a percentage, or 97.5 percent. (2) The work is measured in hours and took 8.21 hours to produce 8 standard hours; [this] is 8 ÷ 8.21 converted to a percentage, or 97.5 percent. (3) The work is measured in dollars and produces $780 with a standard of $800; [this] is $780 ÷ $800 converted to a percentage, or 97.5 percent.

In managerial accounting, the net operating profit earned above the cost of capital for a profit center.

A strategy that focuses on improving worldwide performance through the sales and marketing of common goods and services with minimum product variation by country. Its competitive advantage grows through selecting the best locations for operations in other countries. See: multinational strategy.

Mature products that tend to have a low profit margin and a predictable demand.

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

A computer application that can find optimal inventory strategies and policies related to customer service and return on investment over several echelons of a supply chain.

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

The strategy of sending the same message to all potential customers.

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Operations research

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Organizational design

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Postponement

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Product differentiation

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Pull system

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Push system

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Return on assets (ROA)

Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Return on investment (ROI)

The creation of an organizational structure to support the strategic business plans and goals of an enterprise (e.g., for-profit versus not-for-profit companies). Given the mission and business strategy, the organizational structure design provides the framework within which the business operational and management activities will be performed.

1) The development and application of quantitative techniques to the solution of problems. More specifically, theory and methodology in mathematics, statistics, and computing are adapted and applied to the identification, formulation, solution, validation, implementation, and control of decision-making problems. 2) An academic field of study concerned with the development and application of quantitative analysis to the solution of problems faced by management in public and private organizations. Syn.: management science.

A strategy of making a product distinct from the competition on a nonprice basis such as availability, durability, quality, or reliability.

A product design or supply chain strategy that deliberately delays final differentiation of a product (assembly, production, packaging, tagging, etc.) until the latest possible time in the process. This shifts product differentiation closer to the consumer to reduce the anticipatory risk of producing the wrong product. The practice eliminates excess finished goods in the supply chain. This strategy is sometimes referred to as delayed differentiation.

1) In production, the production of items at times required by a given schedule planned in advance. 2) In material control, the issuing of material according to a given schedule or issuing material to a job order at its start time. 3) In distribution, a system for replenishing field warehouse inventories where replenishment decision making is centralized, usually at the manufacturing site or central supply facility. See: pull system.

1) In production, the production of items only as demanded for use or to replace those taken for use. See: pull signal. 2) In material control, the withdrawal of inventory as demanded by the using operations. Material is not issued until a signal comes from the user. 3) In distribution, a system for replenishing field warehouse inventories where replenishment decisions are made at the field warehouse itself, not at the central warehouse or plant.

A relative measure of financial performance that provides a means for comparing various investments by calculating the profits returned during a specified time period.

Net income for the previous 12 months divided by total assets. See: return on owner's equity (ROE).

Module 8
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Term
Spend management

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Term
Strategic plan

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Term
Strategy

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Term
Target costing

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Term
Value

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Term
Value added

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Term
Value chain

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Module 8
Section A: Optimizing Supply Chain Strategy and Tactics

Term
Value stream

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A plan for how to marshal and determine actions to support the mission, goals, and objectives of an organization.

Managing the outflow of funds in order to buy goods and services. The term is intended to encompass such processes as outsourcing, procurement, e-procurement, and supply chain management.

The process of designing a product to meet a specific cost objective. Target costing involves setting the planned selling price and subtracting the desired profit as well as marketing and distribution costs, thus leaving the required manufacturing or target cost.

For an enterprise, identifies how the company will function in its environment. 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.

1) In accounting, the addition of direct labor, direct material, and allocated overhead assigned at an operation. It is the cost roll-up as a part goes through a manufacturing process to finished inventory. 2) In current manufacturing terms, the actual increase of utility from the viewpoint of the customer as a part is transformed from raw material to finished inventory; the contribution made by an operation or a plant to the final usefulness and value of a product, as seen by the customer. The objective is to eliminate all non-value-added activities in producing and providing a good or service.

The worth of an item, good, or service.

The processes of creating, producing, and delivering a good or service to the market. For a good, [this] encompasses the raw material supplier, the manufacture and assembly of the good, and the distribution network. For a service, [this] consists of suppliers, support personnel and technology, the service "producer," and the distribution channel. May be controlled by a single business or a network of several businesses.

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.

Module 8

Section A: Optimizing Supply Chain Strategy and Tactics

Term

Value stream mapping

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Module 8

Section A: Optimizing Supply Chain Strategy and Tactics

Term

Velocity

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Module 8

Section A: Optimizing Supply Chain Strategy and Tactics

Term

Visibility

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1) The rate of change of an item with respect to time. See: inventory turnover, lead time. 2) In supply chain management, a term used to indicate the relative speed of all transactions, collectively, within a supply chain community. [The maximum of this] is most desirable because it indicates higher asset turnover for stockholders and faster order-to-delivery response for customers.

A lean production tool to visually understand the flow of materials from supplier to customer that includes the current process and flow as well as the value-added and non-value-added time of all the process steps. It is used to help reduce waste, decrease flow time, and make the process flow more efficient and effective.

The ability to view important information throughout a facility or supply chain no matter where in the facility or supply chain the information is located.