



PRACE WYDZIAŁU ZARZĄDZANIA
POLITECHNIKI CZĘSTOCHOWSKIEJ

**KOMPLEKSOWE ZARZĄDZANIE
LOGISTYCZNE
– TOTAL LOGISTIC MANAGEMENT**

MATERIAŁY KONFERENCYJNE
V Międzynarodowa Konferencja Naukowa
Ustroń, 10 - 13 październik 2001 rok

**SERIA
SEMINARIA I KONFERENCJE**

6

Częstochowa 2001

THE SUPPLY CHAIN MANAGEMENT MODEL IN MYSAP.COM – KEY FACTOR OF SUCCESS IN THE NEW ECONOMY

Streszczenie. W przedstawionym opracowaniu pt. *Model zarządzania łańcuchem dostaw w oparciu o mySAP.com – jako kluczowy czynnik sukcesu w ramach nowej ekonomii* - przedstawiono podstawowe założenia radykalnych zmian w modelu logistycznym tworzenia wartości oraz związane z tym propozycje rozwiązań systemowych przez lidera oprogramowania e-biznesowego firmę SAP AG.

W ramach tzw. „nowej ekonomii” nastąpiło radykalne przekształcenie łańcucha logistycznego z modelu liniowego do sieci. W konsekwencji zaistniała zmiana kluczowych czynników umożliwiających osiągnięcie sukcesu. W zarządzaniu łańcuchem dostaw, koncentrujemy się dzisiaj na: decentralizacji kontroli, tworzeniu ponad przeciętnej wartości; zarządzaniu informacją; obsługą indywidualną klienta końcowego; tworzeniu organizacji wirtualnych, skupieniu się na kluczowych umiejętnościach, budowaniu relacji partnerskich wewnątrz i na zewnątrz organizacji oraz na czasie reakcji na określone potrzeby rynkowe, jak i organizacyjne.

Oferta rozwiązań systemowych w obszarze zarządzania logistycznego firmy SAP AG, obejmuje **mySAP.com Supply Chain Management**, który składa się z następujących głównych funkcji: rozwiązania w ramach tzw. „marketplace” integrują potrzeby dostawców, odbiorców czy też partnerów biznesowych; umożliwiają komunikację poprzez sieć wewnątrz i na zewnątrz danej organizacji; posiada kompatybilną dostępność za pomocą różnych urządzeń telekomunikacyjnych w każdym miejscu i czasie; umożliwia opracowywanie synchronizowanych planów dostaw, symulacji, monitorowania kluczowych wskaźników realizacji przyjętych celów, jak też całego procesu logistycznego w trakcie realizacji zlecenia oraz umożliwia zarządzanie dostawami poprzez Internet, magazynem czy też transportem.

Abstract. In the following publication “The Supply Chain Management Model in mySAP.com – key factor of success in the New Economy”, I present basic assumption of fundamental shift in supply, value chain model and related to it business software initiative of SAP AG - leading provider of e-business software solutions.

Within so called the “New Economy” we face radical change in supply chain model from linear to network. Consequently, there are new key factors of success. Presently, in Supply Chain Management, we focus on: decentralization of control; creation over average value, information management; consumer relationship management; creation virtual organizations; focusing on core competency; building inside and outside relationships based on a partnership and finally on a rapid responsiveness to market’s and entire organization’s needs.

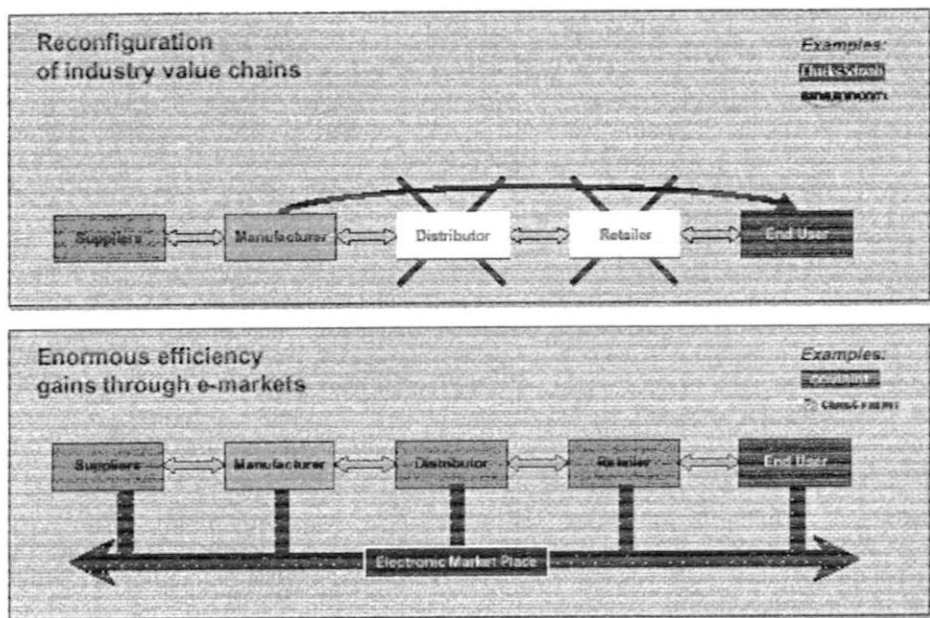
mySAP.com Supply Chain Management consist of the following features: provides e-market infrastructure (marketplaces) that enables process of linking suppliers, customers and business partners; lets users to collaborate across the globe, both inside and outside organization; extends all benefits of the system to all in spite of device, time and place; enable all users to synchronize plans, forecasts; monitors every stage in the supply chain process; reports on key indicators and objectives; integrated web-based buying process, manages manufacturing process, warehouse and transportation.

1. Reconfiguration of industry value chain – in search of the New Economy, introduction

New partnership in the supply chain are destroying traditional ideas of competition. Accenture¹

In the so called “New Economy” we face totally different shape of the traditional value chain of every business as much as the business model itself. From one hand, the entire process of value creation is *shorter* and on the other more and more business transactions are based on an *electronic market* (Illustration 1).

Illustration 1. The New Economy is Radicly Altering Value Chains. Source: Jürgen Daum, Value Based Management for the New Economy, The my SAP Business Intelligence Conference, Hamburg 2000



We also know, that *New Economy* represents a fundamental shift from a linear, sequential supply chain to a networked, adaptive value chain².

¹ www.my-supply-chain.com. Accenture is the world's leading provider of management and technology consulting services and solutions, with more than 70,000 people in 46 countries delivering a wide range of specialized capabilities and solutions to clients across all industries. Accenture operates globally with one common brand and business model designed to enable the company to serve its clients on a consistent basis around the world. Under its strategy, Accenture is building a network of businesses to meet the full range of any organization's needs—consulting, technology, outsourcing, alliances and venture capital. The company generated revenues of \$9.75 billion for the fiscal year ended August 31, 2000, and \$5.71 billion for the six months ended February 28, 2001. Its home page is www.accenture.com;

² <http://www.sap.com/solutions/scm/>

Table 1.

<i>Sequential Supply Chain</i>	<i>Networked Value Chain</i>
<i>Centralized</i>	<i>Distributed</i>
<i>Size</i>	<i>Value</i>
<i>Position</i>	<i>Information</i>
<i>Factory</i>	<i>Customer</i>
<i>Four Walls</i>	<i>Virtual Factory</i>
<i>Vertical Integration</i>	<i>Core Competency</i>
<i>Labor/Management</i>	<i>Employees/Partners</i>
<i>Predictability</i>	<i>Responsiveness</i>

Source: Surgency, 2001³

Because of those above mentioned factors regarded to the change of the supply chain itself, companies have to change their approach to the way how business is performed. Those changes we can describe in the following statements:

Table 2.

<i>Basic change in the nature of the interface with the customer</i>	<i>Customer focus vs. product focus</i>
<i>Ubiquity of information never seen before</i>	<i>Radical shift in value chain / price pressure</i>
<i>Collaboration beats self dependency</i>	<i>tremendous increase in productivity</i>
<i>The source of value has shifted from tangible to intangible assets</i>	<i>(Unleashing hidden value)</i>
<i>Desintermediation of companies and industries</i>	<i>Concentration on core competencies</i>
<i>Change happening at a pace never experienced</i>	<i>High level of uncertainty</i>

Source: Jürgen Daum, ...

In the contrary to the traditional business model, in the New Economy the most important factor of competition advantage XXI Century is no more the possession of ability to compete but rather the ability to cooperate (**Collaboration beats self dependency**), to manage information (**Ubiquity of information never seen before**) and finally to create new corporate value (**The source of value has shifted from tangible to intangible assets**). We have to also remember about the speed of changes - both the technological one and as well the changes regarded to the business model itself (vision of business organization as a network⁴).

As a conclusion we may state that, every company which performs globally (in spite of competing or collaborating) is always in the center of particular business process - a value chain (Illustration 2). *No supply chain is an island and companies can no longer afford to treat the as such. Driven by customer demand for greater visibility along their supply chains, software houses are seeking to keep pace by*

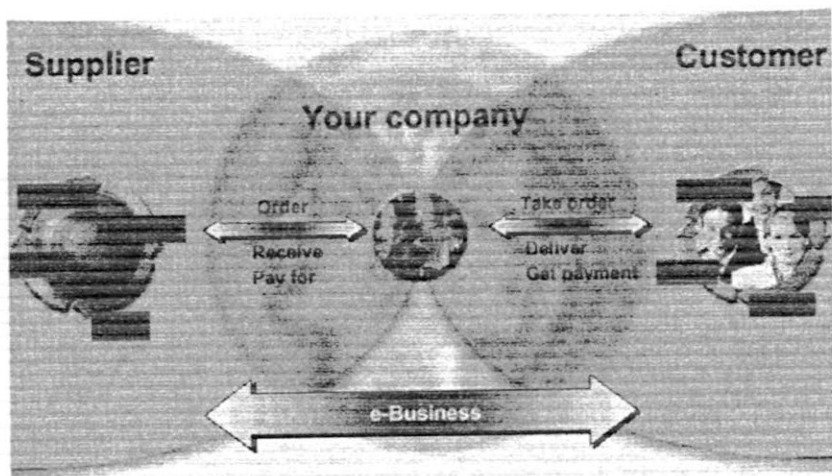
³ Source: Ibid.

⁴ Indeed, the ability to built business networking is presently the third main factor of value creation (together with ability to attract knowledge and ability to create innovation). Authors of "Business Networking" stated that: *Business networking is not the only, but the most important feature of enterprises in the information age. In the past, Business Networking was the basis for the division of labor in the agricultural as well as in the industrial society and a prerequisite for increasing prosperity. Now IT is leading fundamentally new mechanisms in the collaboration between organizational units.* Source: Rainer Alt, Elgar Fleish, Hubert Österle, *Business Networking. Shaping Enterprise Relationships on the Internet*, Springer, Berlin, Heidelberg, New York... 2000, 2.

introducing new logistics softwares and upgrading existing programs, with a view to integrating the whole process⁵.

It means, that in the New Economy everyone, every player in the global market can be successful in spite of the geographical location and the size of the business. However, no matter in what point of the entire logistic chain you are or how big you are, your company has to be value creator to all stakeholders, by taking advantage of a state-of-the-art business software⁶.

Illustration 2. Collaboration beats self dependency. Source: Jürgen Kreuziger, Solutions for the Knowledge Worker, The my SAP Business Intelligence Conference, Hamburg 2000



In the following publication I would like to present a proven, open, integrated, collaborative e-business solution in area of **Supply Chain Management** of SAP AG (Germany) - leader of business software world wide. **mySAP SCM** initiative is an answer to changing business environment within the New Economy, which means radical shift in value chain model from sequential to networked approach.

mySAP SCM offers key capabilities in area of networking, planning, coordination what practically means cost reduction, revenue increase and satisfaction of internal and external customers.

⁵ Kevin Willmott, *Getting the picture*, „Logistics Europe“, April 1997.

⁶ For example: Peter Klein (Synquest Limited) states that *it's pointless recognizing a customer problem if you can't solve it. (...) So I would say „delay doing CRM until you've got a cleaned up supply chain in place to support it.“ As a business customer, do I care that the service desk can recognize me from my phone number? Not if they can't tell me why my package has failed to turn up.* Source: Sam Tulip, *King of the Chain*, „Logistics Europe“, February 2001.

2. mySAP Supply Chain Management – proven, open, integrated, collaborative e-business solution

You Need a Supply Chain That Creates Value.

SAP

mySAP Supply Chain Management (mySAP SCM) system, which is offered on commercial basis by SAP⁷, is proven by many implementations world-wide⁸, fully integrated, open and collaborative to all participants of the entire supply chain.

mySAP SCM offers following key capabilities in area of networking, planning, coordination and execution:

Networking

- Private Exchange - Provides e-marketplace infrastructure that enables you to extend your supply chain processes across enterprise boundaries by linking suppliers, partners, and customers
- Supply Chain Portal - Lets users collaborate with colleagues down the hall or across the globe, both inside and outside the enterprise
- Mobile Business - Extends the efficiencies and benefits of networked supply chain management to every member of the network -- no matter where they are

Planning

- Collaborative Demand and Supply Planning - Enables buyers and sellers to collaborate on demand and order forecasting, synchronizing plans based on the dynamic exchange of information
- Supply Chain Design - Allows you to align your supply chain infrastructures to changing market conditions, such as new product launches and new customer segments, that enable you to reduce your time to value

⁷ SAP AG is the world's leading provider of e-business software solutions that integrate the processes within and among enterprises and business communities. SAP's ability to deliver customer-centric, open, personalized, and collaborative e-business software is the foundation of mySAP.com®. Through the mySAP.com e-business platform, people in businesses around the globe are improving relationships with customers and partners, streamlining operations, and achieving significant efficiencies throughout their supply chains. Today, more than 13,000 companies in over 100 countries run more than 30,000 installations of SAP software. Founded in 1972, SAP® is the recognized leader in providing collaborative e-business solutions for all types of industries and for every major market. Headquartered in Walldorf, Germany, SAP is the world's largest inter-enterprise software company, and the world's third-largest independent software supplier overall. SAP employs over 21,700 people in more than 50 countries, all of them dedicated to providing high-level customer support and services. **SAP is listed on several exchanges including the Frankfurt stock exchange and NYSE under the symbol "SAP."** Source: <http://www.sap.com/company/index.htm>

⁸ **mySAP Supply Chain Management** (mySAP SCM) is helping organizations around the world avoid slowdowns and deliver on time and under budget. Here are just a few of the organizations reducing investments in inventory and increasing service quality: **Aerospace & Defense:** Lockheed Martin, United States; **Automotive:** Goodyear GmbH, Germany; Kongsberg Automotive, Sweden/Norway; **Chemicals:** AgrEvo UK Ltd., England; **Atofina,** France; **Dow Corning,** United States; **Dystar,** Germany; Eastman Chemical Co., United States; **Röhm GmbH,** Germany; **Consumer Products:** Colgate-Palmolive Co., United States; **fischerwerke Artur Fischer GmbH & Co. KG,** Germany; **Mott's,** United States; **Nestlé,** Switzerland; **Sony Computer Entertainment,** Australia; **Unilever,** Netherlands; **Engineering and Construction:** **Kaeser Kompression GmbH,** Germany; **Financial Services:** Banco Itau, Brazil; **High Tech:** Computer Services Solutions, Netherlands; **Hewlett-Packard Co.,** United States; **Wacker Siltronic AG,** Germany; **Metals:** **Hysla,** United States; **Mill Products** Riverwood, United States; **Salzgitter AG,** Germany; **Sappi Ltd.,** South Africa; **Pharmaceuticals:** **Aventis Pharma,** Germany; **Transportation:** **Schenker,** Germany.

Source: <http://www.sap.com/solutions/scm/>

Coordination

- Supply Chain Event Management - Monitors every stage in the supply chain process, from price quotation to the moment the product arrives at the customer site -- including alerts when things go wrong
- Supply Chain Performance Management - Monitors and reports on key indicators and objectives of supply chain performance, including costs and assets across the supply chain network

Execution

- Collaborative Procurement - Integrates Web-based buying processes, including rule-based procurement, automated replenishment, and multiple supplier support
- Collaborative Manufacturing - Manages supply chains throughout all stages of the manufacturing process - even across enterprise boundaries
- Collaborative Fulfillment - Enables you to quickly determine where and when you can obtain a product, and handles order management, availability checks, and transportation management⁹

However the main feature of the mySAP Supply Chain Management is related to ability of linking suppliers, partners, and customers together as **one collaborative value chain**. The result is a complete solution that covers supply chain networking, planning, coordination, and execution. Integration with mySAP **Customer Relationship Management** gives you visibility across the supply chain into the one demand signal that counts: the end customer. Integration with mySAP **Product Lifecycle Management** lets you tie your suppliers into the design process -- so you get products to market faster. While integration with mySAP **Business Intelligence** allows you to measure real-time supply chain performance across your entire value network.¹⁰

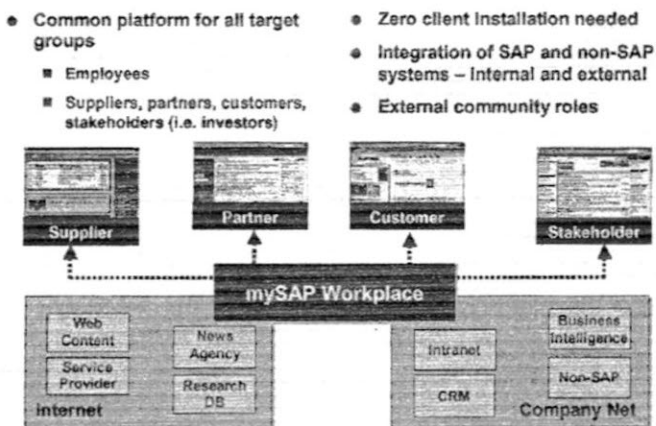
As we can see, **One Common Collaboration Platform** (mySAP.com workplace) can effectively get together all participants of the entire value chain and make it as short, and as accessible as possible (Illustration 3).

Definitely, all present and future changes in any business model will be directed to create one common market of product and services exchanges (so called marketplaces or collaborative hubs).

⁹ <http://www.sap.com/solutions/scm/>

¹⁰ Ibid.

Illustration 3. mySAP Workplace - One Open Integration Platform to Serve Various Communities. Source: Oliver Edinger, Managing External Communities with mySAP Workplace, The mySAP Business Intelligence Conference, Hamburg 2000



3. The mySAP Supply Chain Management as a Business visibility, Adaptive collaboration, Value creation - conclusion

Indeed, the mySAP Supply Chain Management has already achieved success through world wide commercial implementations. There are many factors, that support a decision process in regard to stated by managers strategic business objectives. By giving the ability to create value, build a competitive advantage and use state-of-the-art business software, we can achieve:

Business visibility - See your company not as a single entity but as a connected collection of entrepreneurial businesses comprising a dynamic set of customers, suppliers, and partners in a seamless ecosystem.

Adaptive collaboration - Move beyond simple communication to beneficial collaboration, understanding the constraints and opportunities of your partners - while accessing the information and tools you need to adapt. So response to exceptions moves from hours to seconds.

Value creation - Take advantage of capabilities for networking, planning, coordination, and execution to reduce costs, improve service, and increase profitability.

Additionally, mySAP Supply Chain Management gives you the capabilities you need to transform your sequential supply chain into a networked value chain though distribution network, value creation for stakeholders, information management, Customer Relation Management, virtual structure of the business, concentrating on Core Competency, Employees/Partners relationships, immediate responsiveness (see table 1).

And finally, mySAP SCM creates value by enabling you to reduce costs, increase revenue, and improve service to your customers in one integrated supply chain management system:

Reduce Costs:

- Integrate with public and private e-marketplaces to quickly and easily compare suppliers on a global basis.
- Cost effectively match supply and demand through integrated and collaborative planning tools.
- Reduce inventories, without reducing your ability to meet unexpected demand.
- Increase productivity, maximizing the efficiency of order processes and other administration functions.

Increase Revenue

- Collaborate with partners and optimize supply planning and execution across enterprise boundaries.
- Achieve faster responsiveness to unanticipated demand.
- Reduce order cycle times, speeding the conversion of materials to cash.
- Improve asset use and reduce unnecessary capital expenditures.
- Introduce new products and promotions with efficiency and accuracy.

Retain Customers

- Provide quality products and services at competitive prices.
- Increase planning accuracy and real-time location of products around the world, improving customer service.
- Access detailed and accurate order status information, resulting in higher customer satisfaction.
- Transform from a supply-centric to a customer-centric demand chain, in which actual customer demand drives design, production, and replenishment.
- Respond to changing customer requirements quickly and efficiently¹¹.

The main objective of future developments of mySAP SCM initiative is oriented to deliver to all customers a product which shifts its focus point from production to service provider - due to the major source of value creation in the New Economy (Illustration 4).

¹¹ <http://www.sap.com/solutions/scm/>

Illustration 4. The Supply Chain Management initiative at SAP. Peter Barth (SAP AG), mySAP Workplace Enterprise Portal, The my SAP Business Intelligence Conference, Hamburg 2000

From Production-oriented to Service Provider



The entire, new business model for XXI Century will consist of five fully integrated services working in cooperation (alliance) with outside service providers. The new business model based on mySAP Supply Chain Management initiative will definitely increase value of present collaborative chain by attracting new e-buyers and new e-sellers.

Definitely, e-collaborative, fully integrated supply chain management solutions are the major factors of success in the New Economy for every business organization.

References

Barth Peter (SAP AG), *mySAP Workplace Enterprise Portal*, The my SAP Business Intelligence Conference, Hamburg 2000.

Daum Jürgen, *Value Based Management for the New Economy*, The my SAP Business Intelligence Conference, Hamburg 2000.

Edinger Oliver, *Managing External Communities with mySAP Workplace*, The my SAP Business Intelligence Conference, Hamburg 2000.

Kreuziger Jürgen, *Solutions for the Knowledge Worker*, The my SAP Business Intelligence Conference, Hamburg 2000.

Rainer Alt, Elgar Fleish, Hubert Österle, *Business Networking. Shaping Enterprise Relationships on the Internet*, Springer, Berlin, Heidelberg, New York... 2000.

Tulip Sam, *King of the Chain*, „Logistics Europe”, February 2001.

Willmott Kevin, *Getting the picture*, „Logistics Europe”, April 1997.

<http://www.my-supply-chain.com>

<http://www.accenture.com>

<http://www.sap.com/solutions/scm/>