

# SUPPLY CHAIN MANAGEMENT SPECIALIST (SCMS)

## STUDY GUIDE



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This study guide has been created for individuals who are studying for the Supply Chain Management Specialist (SCMS) Certification Program. Please use this guide to assist in preparation for your examination.

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## **I. BUSINESS TRAINING:**

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## **II. (SCMS) DETAILS AND TIMELINE:**

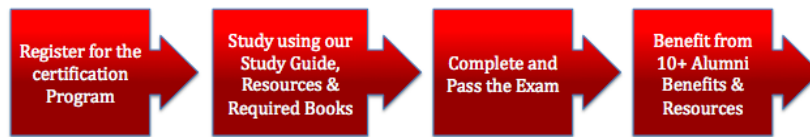
### **Program Details:**

The **Supply Chain Management Specialist (SCMS)** certification program is unique in that it is modeled after many online courses offered at Ivy League institutions today, offering more value for a more cost-effective program. The (SCMS) Program is a self-study program that includes educational multimedia resources in video form, a study guide, required readings, and a flexible online examination process, accessible around the world. The online exam is structured so that in order to complete the exam within the 2-hour time frame one must read through all of the assigned materials and conceptually understand the majority of the material to score well enough to pass the exam. Our goal is to offer the most challenging program in the industry while also providing all of the learning tools possible to ensure participants get the most out of the experience.

The Supply Chain Management Specialist (SCMS) program is sponsored by the GTC Institute and offered by BusinessTraining.com. This certification program is designed to show and certify that you have gained an in-depth understanding and high level specialized knowledge in supply chain management.

In addition to the benefits of gained knowledge, growing industry recognition, more knowledgeable career choices, and networking, our organization is also developing additional resources for (SCMS) Participants. This includes video and MP3 recordings on Q&A or strategies and tactics, webinars, access to interviews with internet marketing professionals who have more than 10 years of experience in the industry, among many more benefits.

#### 4 STEP CERTIFICATION PROCESS



#### **Timeline:**

The (SCMS) program accepts new members on a rolling-admissions basis so you may begin any time. Examinations are provided four times a year on January 15th, April 15th, July 15th, and October 15th. Examinations are completed 100% online from your place of work or home through our SSL secure testing website.

#### **Learning Objectives of the (SCMS):**

- How to leverage technology and free-to-access tools to increase your supply chain management abilities.
- How to quickly improve your supply chain management functions within your business or department to add value to you and your partner's businesses.
- Step-by-step instructions on how to construct a strategic supply chain management plan.

#### **Benefits of the SCMS:**

The gained knowledge:

- To adequately define what a supply chain is.
- To understand the importance of the supply chain management function within an organization. The role of the supply chain manager within an organization.
- Of how to develop a strong supply chain both internally and externally.
- Of the effect a strong supply chain has on the profitability of an organization.
- And understanding the areas of the organization that are involved in the supply chain and the role they play in strengthening the organization.
- Of the significance of technology within the supply chain.
- And understanding the supply Chain operations: Planning, Sourcing, Making, and Delivering.
- Of the effects "Going Green" has on the supply chain.
- Of new developments in the supply chain management profession.

**III. REQUIRED READINGS:**

1. Essentials of Supply Chain Management, 2nd Edition [Paperback] by Michael H. Hugos. Wiley, 2006. ISBN – 13: 978-0471776345
2. Supply Chain Management Best Practices (Wiley Best Practices) by David Blanchard. Wiley, 2010, Second Edition. ISBN – 13: 978-0470531884
3. New Supply Chain Agenda: The 5 Steps That Drive Real Value by Reuben Slone, J. Paul Dittmann, & John T. Mentzer. ISBN-13: 978-1422149362

**IV. (SCMS) EXAM PREPARATION**

**1. Exam Composition:**

There are a total of 100 points available to earn for the exam, 80 of which can be earned from the multiple choice or true/ false questions that are worth 2 points each, and 20 of which can be earned from 2 short answer questions that are worth 10 points each. Please see below for the composition and distribution of the points in-depth.

<b><u>Topics and Weights</u></b>	
<b>Supply Chain Management Fundamentals (20)</b>	Multiple Choice Questions
<b>Supply Chain Operations (20)</b>	Multiple Choice Questions
<b>Supply Chain Best Practices (20)</b>	Multiple Choice Questions
<b>Common Areas of Improvement (20)</b>	Multiple Choice Questions
<b>Comprehensive &amp; Conceptual Essay Questions</b>	2 Essays

You will have 2 hours to complete the exam. Those who have not made the effort to read the materials will have a hard time completing the exam within the allotted time, but for participants who have read the required readings 2 hours will be sufficient.

## 2. **TERMS AND CONCEPTS TO KNOW:**

Below, please find the terms and concepts that you should be able to define after having read the required readings.

Please define the terms from the required readings rather than a dictionary. You will be tested on the definitions that authors have provided.

### Essentials of Supply Chain Management by Michael H. Hugos

1. **Production** - Capacity of a supply chain to make and store products. (Page 10)
2. **Inventory** - Everything from raw material to work in process to finished goods that are held by the manufacturers, distributors, and retailers in a supply chain. (Pg. 12)
3. **Producers** – Organizations that make a product. Also known as manufacturers. (Pg. 24)
4. **Distributors** – Companies that take inventory in bulk from producers and deliver a bundle of related product lines to customers. (pg. 24)
5. **Retailers** – Organizations that stock inventory and sell in smaller quantities to the general public. (pg. 25).
6. **Customers** – Consumers or any organization that purchases and uses a product. (pg. 25)
7. **Service Providers** – organizations that provide services to producers, distributors, retailers, and customers. (pg. 26)
8. **Cycle Inventory** – Inventory required to meet product demand over the time period between placing orders for the product. The buildup of inventory in the supply chain due to the fact that production and stocking of inventory is done in lot sizes that are larger than the ongoing demand for the product. (pg. 59)
9. **Economic Order Quantity (EOQ)** – An order quantity that is the most cost effective amount to purchase at a time. Calculated as  $EOQ = \sqrt{2UO/hC}$  ; (the square root of  $2UO/hC$ ) where U = annual usage rate, O = ordering cost, C= cost per unit, and h=holding cost per year as a percentage of unit cost. (pg 60).
10. **Safety Inventory** – The amount of inventory on hand for an item when the next replenishment EOQ lot arrives (pg. 64)
11. **Order Management** – The process of passing order information from customers back through the supply chain from retailers to distributors to service providers and producers. (pg. 84)
12. **Internal Efficiency** – The ability of a company or a supply chain to operate in such a way as to generate an appropriate level of profitability. (pg. 137)
13. **Demand Flexibility** – The ability to respond to uncertainty in levels of product demand. (pg. 138)

14. **Internal Efficiency Metrics** – The ability of a company or a supply chain to use their assets as profitably as possible. These metrics include calculating inventory value, inventory turns, return on sales, cash-to-cash cycle time. (pg. 142)
15. **Demand Flexibility Metrics** – The ability of a company to measure their ability to be responsive to new demands in the quantity and range of products and to act quickly. Some measures of Demand flexibility include Activity Cycle time, Upside Flexibility, and Outside Flexibility. (pg. 144)
16. **Product Development Metrics** – A measurement of a company or supply chain’s ability to design, build and deliver new products to serve their markets as those markets evolve over time. (pg. 146)

#### Supply Chain Management Best Practices by David Blanchard

1. **Inbound Logistics** – Activities associated with receiving, storing and disseminating inputs to the product. Includes material handling, warehousing, inventory control, transportation scheduling, and returns to suppliers. (Pg. 7)
2. **Operations** – The activities associated with transforming inputs into the final product form. Includes functions such as machining, packaging, assembly, equipment maintenance, testing, printing, and facility operations. (Pg. 7)
3. **Outbound Logistics** – The activities associated with collecting, storing and physically distributing the product to buyers. Includes finished goods warehousing, material handling, freight delivery, order processing, and scheduling. (Pg. 7)
4. **Horizontal Strategy** – a coordinated set of goal and policies across distinct but interrelated business units. (Pg. 8)
5. **Unsiloiing** – When managers cooperate across departments and functions, sharing resources and cross-selling products to promote the entire company’s bottom line. (Pg. 8)
6. **Supply Chain Planning** – Coordinates assets to optimize the delivery of goods, services, and information from supplier to customer, balancing supply and demand. (Pg. 44)
7. **Sales and Operations Planning (S & OP)**– the process of aligning all of a company’s business plans (customers, sales and marketing, research and development, production, sourcing, and financial) into a single, integrated set of plans. The end goal is a plant that more accurately forecasts supply and demand.
8. **Enterprise Resource Planning (ERP)** – tying together manufacturing, sales, distribution, and finance by collecting data from each area and using it to plan a company’s resource use – everything from employees to raw materials. (Pg. 50)

9. **E-sourcing** – The use of online electronic marketplaces to purchase both basic commodities (indirect materials) and core production materials (direct materials). (Pg. 60)
10. **Product Life Cycle Management (PLM)** – technology that enables manufacturers to manage and share complex design and production information across an extended enterprise, with the goal of streamlining the product development process. (Pg. 73)
11. **Manufacturing Execution System (MES)** - A system of delivering production instructions to the shop floor and then tracing everything that happens to a product as it progresses through the manufacturing process. (Pg. 75)
12. **Six Sigma** – A measurement of quality that strives for near perfection, which is defined as no more than 3.4 defects per million opportunities. (Pg. 76)
13. **Transportation Management System (TMS)** – A software program that automates a company's shipping process, from carrier selection to routing and scheduling. (Pg. 89)
14. **Cross-docking** –The distribution process of re-handling freight from inbound trucks and loading it onto outbound trucks, without first storing the freight. (Pg. 94)
15. **Warehouse Management System (WMS)** – A system that controls, manages, and relates the movements of goods within a warehouse or distribution center. Typical features of a WMS include inventory management, picking and put-away, order visibility, and fulfillment. (Pg. 97)
17. **Customer Relationship Management (CRM)** – A customer-centric Strategy that uses software tools to optimize profitability, revenues, and customer satisfaction. It ties into all of a company's other enterprise and supply chain systems, with the goal of providing a complete view of a company's operation. (Pg. 140)
18. **Third Party Logistics Provider (3PL)** – an asset-based or non-asset-based company that manages one or more logistics processes or operations (typically, transportation or warehousing) for another company. (Pg. 149)
19. **Customs-Trade Partnership against Terrorism (C-TPAT)** - Created after 9/11 and it is a security program that establishes the assurance that a company has implemented security practices within their company and throughout their supply chain. (Pg. 176)
20. **Radio Frequency Identification (RFID)** – A data collection technique that passes product information via radio waves to a receiving unit.
21. **Green Supply Chain Management** – The alignment of sourcing, manufacturing, distribution, transportation, and remanufacturing/recycling processes with the goal of reducing a company's carbon footprint.

22. **Lean Manufacturing** – A management philosophy focused on eliminating waste, reducing inventory, and increasing profitability.

The Supply Chain Agenda: The 5 Steps that Drive Real Value by Reuben Slone, J. Paul Dittmann, & John T. Mentzer

1. **Net Profit Margin** – Net operating profit after tax. (Pg. 27)
2. **Capital turnover** – Revenue divided by total capital. (Pg. 27)
3. **Return on Invested Capital** – Net profit margin multiplied by capital turnover. (Pg. 28)
4. **Economic Profit** – Net Operating profit after tax less weighted average cost of capital (Pg. 28)
5. **SWOT Analysis** – The evaluation of a company's strengths, weaknesses, opportunities, and threats. (Pg. 34)
6. **Automated Storage and Retrieval System (ASRS)** – a robotic system used to put away and pick material needed for manufacturing. (Pg. 99)
7. **Stage –Gate Process** – A process to guide the introduction of new products. The process consists of a series of gates, with each one consisting of a number of required deliverables before the project can proceed to the next stage. (Pg. 108)
8. **Demand-supply integration (DSI)** – The process of adequately matching supply with demand, also referred to as Sales and Operations Planning (S & OP). (Pg. 117)
9. **Internal Collaboration** – When sales, marketing and operations find a way to align and focus on serving the customer in a way that maximizes economic profit. (Pg. 103)
10. **External Collaboration** – The act of a supplier and a customer working together to achieve mutual improvement. (Pg. 130)
11. **Value Stream Mapping** – A technique to visually display the detail of a process in order to see non-value-added activities that should be eliminated. (Pg. 141)
12. **Failure Mode and Effects Analysis (FMEA)** – An approach to indentify and prioritize risks when implementing change within the supply chain. (Pg. 158)

3. **SAMPLE QUESTIONS:**

1. *The key metrics that best indicate the overall effectiveness of a company's supply chain are*

- A. Three years return on assets, inventory turnover, and three years revenue growth
- B. Five years revenue growth, good talent to do the job, five years of returns on assets
- C. Three years of no loss of a customer, Three years of profit, employees that go over and above their job requirements.
- D. Income, expenses, and cost of sales.

2. *Coordinating assets to optimize the delivery of goods, services, and information from supplier to customer, balancing supply and demand is known as:*

- A. Economic Order Point
- B. Economic Resource Planning
- C. Supply Chain Planning
- D. Supply Chain Optimizing

3. *Technology that enables manufacturers to manage and share complex design and production information across an extended enterprise, with the goal of streamlining the production development process is known as:*

- A. Production process system Management
- B. Product Life Cycle Management
- C. Supply Chain Management
- D. Operations Management

4. *A simple supply chain structure includes*

- A. Ultimate supplier, Manufacturer, and Retailer
- B. Company, Service Provider, and Customer
- C. Supplier, Company, and Customer
- D. Logistics Provider, Finance Provider, and Business Customer

5. *There are four basic methods to use when doing forecasting. The method that assumes that demand is strongly related to particular environmental or market factors is called*

- A. Qualitative
- B. Casual
- C. Time Series
- D. Simulation

6. *Your company has ordered parts from EFG Corporation. The items arrive at your dock and they are damaged. The process that has to take place to get the product returned to EFG for replacement or credit is known as*

- A. Scrap material process
- B. Debit Memo
- C. Reverse Logistics
- D. Supply chain reversal

7. *The first important step in a company's strategy for supply chain excellence is*

- A. Picking the right leaders and developing supply chain talent
- B. Making sure the company can survive
- C. Ensuring you have enough product to sell
- D. Making sure management can define Supply Chain

8. *Four cross functional problems that can stagnate a supply chain are:*

- A. Too many employees, too many suppliers, long vacations by employees, no quality department
- B. Too much obsolete inventory, excessive product complexity, poor forecasts, and ineffective demand management.
- C. Too many products, long lead to manufacture, no customer communication, no internal collaboration.
- D. New products, too many orders to ship, high volume of customer complaints, no external collaboration

9. *One of the goals of establishing supply chain excellence is to:*

- A. Become the most important area in the organization
- B. Strive for management recognition
- C. Drive economic profit and shareholder value
- D. Always be prepared for an audit

## **V. BOOK SUMMARIES**

### **ESSENTIALS OF SUPPLY CHAIN MANAGEMENT**

By Michael H. Hugos

This book was written with a focus on helping supply chain professionals meet various challenges their business face. These are challenges that may affect the business' growth and ability to be competitive in their perspective market. Chapters 1-3 gives key information regarding the principles and operations that drive the supply chain. The book targets improving internal operations and how to make the process work for the organization, suppliers, and ultimately the customer. The author also reveals how to take advantage of opportunities to develop successful supply chains. The Author, Michael Hugos, links supply chain management and other functions of an organization and shows how each function is critical to the success of the other. He looks at the supply chain function as it applies to production, inventory, location, transportation and information/communication.

The four categories of supply chain operations are discussed in dept in chapter 2 and 3. The author is careful to dissect these categories, (plan, source, make and deliver) and give the reader insight on these areas within the supply chain function. Chapter 4 talks about information technology which has not been chosen as a required chapter for ready. But this topic will be discussed in detail in the video section of this program using some of the information from this chapter to support the topic.

Chapter 5 gives a good foundation for how to measure the success or failure of the supply chain. The final chapters of the book focus on the strategic aspect of supply chain. These chapters reveal how to recognize opportunities for developing a strong supply chain within an organization and how to take advantage of these opportunities. It gives the reader key objectives for recognizing when opportunities arise.

## **SUPPLY CHAIN MANAGEMENT BEST PRACTICES**

By David Blanchard

This book, written by David Blanchard, focuses on helping the supply chain professional build a strong, competitive supply chain. This is the second edition of this book and it includes information on topics that are presently “hot” in the supply chain field. It is a source that provides direction for the things that companies will have to be aware of when trying to compete on a global level. The text is separated into 3 parts: Introduction to Supply Chain Management, Traditional Core Processes of Supply Chain Management, and Supply Chain Strategies.

Section 1, Introduction to Supply Chain Management, defines supply chain management and gives examples of supply chain in various industries. It also looks at the supply chain metrics, showing proven methods for measuring the performance of a supply chain. It introduces to the reader the key metrics that should be followed which indicates the effectiveness of a company’s supply chain.

Section 2, Traditional Core Processes of Supply Chain Management, reveals the daily processes of supply chain management and discusses the practices that some of the trend setting companies follow within the global marketplace. This section looks in depth at Planning and Forecasting. It also does a thorough evaluation of the importance of Procurement and how it should be managed as a strategic function within the organization. Other areas within this section include manufacturing supply chain, transportation and logistics, distribution and warehousing, globalization and customer service. This author, David Blanchard, reveals the importance of all of these areas within the supply chain.

Section 3, Supply Chain Strategies, focuses on strategies, solutions, and technologies used by companies to keep them on the cutting edge of their industries. It looks at going green and operating lean in the supply chain. It discusses in depth about using third party logistics companies and when to make the decision to discontinue handling the logistics internally. It also talks about the role of security within the supply chain in the wake of terrorism since the September 11, 2001 incident. The text introduces Radio Frequency Identification (RFID) technology and its role in the supply chain process.

This text, Supply Chain Management Best Practices, can serve as a manual for assisting the supply chain professional in developing a strong supply chain within their organization. It thoroughly discusses various areas that are important to the supply chain’s success. Also discussed in the text are areas that are of immediate concern to most organizations. These areas include going green and lean supply chain operations. Not only does this text give useful foundational information for the individual that may be a novice to the supply chain area, it gives the person with experience a detailed view of what other organizations are doing to increase the worthiness of their supply chain.

## **THE NEW SUPPLY CHAIN AGENDA, THE 5 STEPS THAT DRIVE REAL VALUE**

By Reuben E. Slone, J. Paul Dittmann, and John T. Mentzer

The authors' main goal in this text was to make companies aware of the underutilization of supply chain excellence within organizations. The well constructed supply chain will help improve deliveries to customers, create a more efficient operation, lower inventories, and streamline networks. The results of this are higher revenues, reduced costs, reduce capital requirements, and decrease working capital. The authors give 5 steps that will transform an organizations supply chain making the organization more competitive.

The steps discussed in the book are:

1. Hiring the right talent
2. Selecting the appropriate Technology
3. Collaborating Internally
4. Collaborating externally
5. Managing Change in the Supply Chain

Each chapter in the book is devoted to one of these steps. When discussing the right talent to hire, the book talks about what skills to look for, the personality that would work well with the current team, and whether the candidate has the ability to perform in a global market. These are all key items that will help the organization become stronger and more competitive.

Similar to selecting the appropriate talent, selection of the appropriate technology is equally important. If the organization does not have the appropriate technology in place to support the supply chain, it could be disastrous. The chapter talks about having the right systems into place, using bar codes, and advanced planning and scheduling system to help strengthen the supply chain. It looks at situations that have happened when the appropriate technology is not in place. This gives the reader and opportunity to learn how to select the appropriate technology and what the repercussions are when this does not happen.

The importance of having not only internal collaboration, but also external collaboration is discussed in separate chapters. These are two areas that are many times overlooked within organizations and they can be the most critical to the success of the company. The authors are very blunt about the importance of these areas. The importance of having multiple areas involved with a new product design is very important. The relationship between what the customer wants and what the manufacturer is able to produce is critical to the company's success. The authors give very detailed information for the supply chain professional to use in these areas and the importance of every department within the organization to be involved with making sure that satisfying the customer's needs is the goal of everyone.

The text is a very strong organization tool to help the supply chain professional focus on making sure all of the key parts of the supply chain are working together for the success of the organization. It can also serve as a guide in helping the supply chain professional resolve issues within the organization that may be preventing the supply chain from being a world class supply chain.

## **SUPPLY CHAIN MANAGEMENT SPECIALIST (SCMS) STRATEGIC PLAN:**

The Supply Chain Management Specialist (SCMS) Program requires participants to complete a Strategic Supply Chain Management Plan in order to graduate from the program. This plan is worth 100 points and accounts for 50% of the total grade within the program.

As such, non-submission of this strategic plan will result in an automatic failing grade for the (SCMS) program. If you have any questions, please email us at **SCMS@BusinessTraining.com**.

### **BACKGROUND:**

Bryzel Corporation is an original equipment manufacturer of commercial kitchen equipment. The company has been in business for 25 years and has been a relatively strong competitor in its market. The company has been able to keep its overhead costs low because it outsources all of the machining, painting, and specialty manufacturing. Even with the struggles of the economy, the organization has been able to be profitable with a slight increase in sales over the last two quarters. You have been hired as the new Supply Chain Manager. During your interview, the owners of company made you aware of some of the challenges that you would be confronted with. They have become frustrated with the increase in the cost of freight and the lack of control in tracking the multiple process parts which sometimes affects the on hand inventory. These two areas affect the ability to ship to customers and the company's profits.

After settling into your new position, you have noticed areas that need improvement. While analyzing the freight costs, you notice that one of the areas of concern is the constant shortages on the hardware (nuts, bolts, screws, etc.). To prevent a production stoppage due to stock outages, the buyers and expeditors have to often rush shipments of fasteners from the suppliers (usually the Bolt House) to the production line. This has caused freight to exceed budget. Something has to be done to reduce (or dissolve) these freight costs.

The other area that needs your attention is control of multiple process parts. You think a good place to focus on is the areas where multiple vendors play a part in getting the finished item to your facility. There are a good portion of these parts and the problem will get larger as business continues to grow. These parts require multiple processes and therefore many vendors are involved with getting one part ready to be assembled at our facility. For example, the oven side panel, part number 78299, is a multi-process part. This means vendor #1, in this case ABC machining, form and makes the part from metal, and ships it to you. Your quality department will inspect the part and approve it to go to Vendor #2 (XYZ Coating) for a protective coating to be put on the part. You incur cost for the parts being shipped from ABC Machining to you, then from you to XYZ Coating and back to you. There are sometimes parts in inventory that have come from ABC Machining but did not make it to XYZ Coating (maybe your department got busy and forgot about the parts needing to go out).

### **YOUR TASK**

The items mentioned above are two items that you initially need to focus on - 1. Reducing freight costs, and 2. Strengthening your supply chain. Please explain how you would accomplish this based on your experiences and what you have learned from this course.

First, you have to have some information on your suppliers:

**THE BOLT HOUSE** – located about 50 miles from Bryzel Corp. They have delivery trucks and sales men in your area twice a week. They offer various programs to support their customers including restocking programs. They make it a point to stop by your facility at least 2 times a month to make sure everything is going fine and there are no problems with their product. They supply all of your hardware (nuts, bolts, and screws, etc.) except for a few specialty items coming from Sharon Specialty Fasteners, who supply you with the hardware that is unique to your product. They are a manufacturer and The Bolt House is a distributor.

**ABC Machining** –A machining and fabrication company that is located in your city. They have been a long time supplier to Bryzel Corp. The company is a privately held partnership and does a lot of business with Bryzel Corp. They have recently hired a quality control manager and plan to invest in updated quality tools and equipment in order to expand into other markets. The company is financially stable and has capacity to increase production if necessary.

**XYZ Coatings** – A painting and coatings company that caters to customers that need parts painted or coated with special clear coatings to prevent rust on metal items. They are a small company that has only been in business for 5 years. They, like any other startup company, have experienced the challenges of being new to a market. They have done quite a bit of business with Bryzel Corp. , who is their largest customer. The company has three customers that supply them with continuous work, and about 10 customers that have sporadic requirements.

\*\*\*Side note – the words hardware and fasteners have the same meaning for this project.

## **VI. FAQ (FREQUENTLY ASKED QUESTIONS):**

### **Have more questions or need more information?**

Please see our consistently updated FAQ (Frequently Asked Questions) section on the BusinessTraining.com website here at <http://BusinessTraining.com/FAQ.html>.

You can also get in touch with the BusinessTraining.com team over email at [Team@BusinessTraining.com](mailto:Team@BusinessTraining.com), by phone at 503.664.0678, and through our ClickAndChat tool, accessible from our homepage: <http://BusinessTraining.com>.

Thanks for joining BusinessTraining.com! Please let us know if you have any questions.

**-The BusinessTraining.com Team & G.T.C. Institute**

## **VII. SAMPLE QUESTION ANSWERS:**

- 1. Correct answer is A.** This information was based on a study done with supply chain professionals. The challenge with measuring the supply chain effectiveness is most of the tasks affiliated with supply chain performance cannot be easily connect with the profit and loss statement of an organization. Inventory turns, however, are thought to be the best indicator of a world-class supply chain. (Supply Chain Management Best Practices, Chapter 3 Pgs. 29-30)
- 2. Correct Answer is C.** Supply chain planning allows companies to create what-if scenarios that weigh real-time demand commitments when developing forecasts. Economic Resource Planning helps with determining the use of the company's resources ranging from employees to raw materials. Economic order point is the level at which a product should be restocked to support demand. Supply Chain Optimizing is a fictitious phrase. (Supply Chain Management Best Practices, Chapter 4, Page 45)
- 3. Correct Answer is C.** A Production process system is a system that does production planning and product flow management. This is a subject that generally pertains to manufacturing/production planning function. It is usually associated with the supply chain, but not the responsibility of the supply chain manager. Operations management is managing the daily operations of an organization. It can range from managing people to managing the flow of business from sales to shipment to the customer. This function holds a large responsibility towards keeping the organization profitable. Supply Chain Management is the scope of this certification. This is only a small part of the functions of the total supply chain. . (Supply Chain Management Best Practices, Chapter 6, Page 73)
- 4. Correct Answer is C.** The other options are part of the more complex supply chain structure, The Extended Supply Chain. (Essentials of Supply Chain Management, Pg. 27)
- 5. Correct answer is B.** These are the four basic methods for forecasting. The Qualitative methods rely upon a person's intuition or subjective opinions about a market. The time series methods are the most popular because they look at historical patterns of demand do future forecasting. The simulation methods are the "What if" method. It looks at what would happen "if" this aspect changed. The casual methods however, base forecasts on environmental or market factors that are thought to be strongly related to demand. (Essentials of Supply Chain Management, Pgs. 50-51)
- 6. Correct answer is C.** This is reverse logistics situation because the product has to be returned to the supplier for replacement. A scrap material process, in this situation, would not require the product to be returned. The supplier would send an approval to the customer to scrap the material at their facility and be issued a credit memo for the shipment. A new shipment is usually sent to replace the scraped material. (Essentials of Supply Chain Management, Pgs.94-95)

7. **Correct answer is A.** This is a critical step in achieving supply chain excellence because these are the people that will be putting procedures and practices into place to accomplish the excellence. The other options are important because all company owners and shareholders want their company to be viable and able to survive. Having enough product to meet demand is also critical. It is not required for managers to be able to define supply chain, they do however, need to have a clear understanding of what it means to the company. At minimum they need to be acceptant of the presence of the supply chain and how important it is to the organization's success. (The New Supply Chain Agenda, Pgs 41-42)
8. **The correct Answer is B.** The other options are more relevant to a particular department. For Instance, too many employees, that is really a human resources management function; too many suppliers would be a purchasing management function or problem. The things listed in item B are clearly cross functional. For instance too much obsolete inventory could be a problem of engineering redesign due to problems with the initial design or maybe purchasing has purchased too many parts, even sales could be responsible because they over forecasted what the demand was going to be. (The New Supply Chain Agenda, Pgs 41-42).
9. **Correct Answer is C.** The goal of any company is to make money. Item A and B, should never be the goal of any one department nor the supply chain. It is important that all departments work together towards a single goal. Item D is important especially if you work in an organization that holds any type of quality certification (ISO, QS, etc.) because you will have audits, so it is important to be prepared, but this is not the sole focus of achieving supply chain excellence. (The New Supply Chain Agenda, Pg 166)