*Interview at least one real-world professional working in an operational area and write an analysis addressing the importance of supply chain management and how it works within a company. In addition, calculate the total manufacturing cost for a provided scenario.*

*Introduction*

*In today's economy, companies can utilize suppliers to gain an advantage over their competitors. Effective supply chain management can lower the cost of a product, while maintaining or even improving quality; a benefit that can differentiate a company to consumers. Because of this, suppliers have become an integral part of most business plans.*

*The supply chain must be managed to reach organizational goals of sustainability. Many companies realize they cannot be experts in everything, so they form strategic alliances to tap into the expertise of the suppliers. Global competitiveness and customer demand have forced companies to constantly improve their products or services, and companies have turned to suppliers for help.*

*Just-in-time (JIT) and lean manufacturing are concepts companies have adopted to eliminate waste and shift focus to adding value in key areas. The concept of making just enough of a part to meet current needs only is foreign to a lot of U.S. companies, many of which are still operating with the idea that it is better to push the product through their processes and create the inventory needed to serve the customer. JIT utilizes a pull system, which is identified with small lot sizes, quick changeover, flexible resources, streamlined layout, and uniform plant production. Lean manufacturing works well with JIT because it focuses on streamlining the process and on strict adherence to eliminate waste.*

*Companies that utilize these tools discover quickly that it is not just the production area which has to work toward the elimination of waste. The marketing, engineering, and purchasing departments all have to coordinate their activities to produce a flexible but flowing process that focuses on serving the customer. These best practices only work if the entire company works together.*

*Scenario*

*Suppose that you were recently hired as the operations manager for ABC Manufacturing, a small manufacturing company founded two years ago. The company has been reasonably successful since it was founded, but has recently been experiencing several production issues. You were hired to recommend and implement improvements to get the company back on track.*

*ABC's president has indicated that they have already done some preliminary planning associated with manufacturing a new valve product. They have a final product design, and have done the preliminary planning to find suppliers for the individual components used in the valve.*

*However, the president is not sure about how best to set up the supply chain for this new product. For example, he thinks ABC might not have done an optimal job of designing the supply chain, including how and where inventory is managed for some of their current products. He is also generally aware of supply chain concepts such as just-in-time (JIT) manufacturing and outsourcing, but knows there can be complications and tradeoffs associated with those options.*

*The president has asked for your recommendations related to the supply chain for this new product, in relation to a specific outsourcing decision. You have decided it would be helpful to interview at least one operations manager at a different company to better understand the key concepts.*

*Preparation*

*In preparation for completing this assessment, interview at least one real-world professional working in an operational area. The goal of the interview is to gain an understanding of the way in which the company transforms inputs into useable outputs for its customers. This can be a small or large company, family-owned or public, service-oriented or product-oriented, a bakery, restaurant, or a car manufacturer. A good option might be your current employer. The purpose of this interview is to understand the importance of operations management through the eyes of the company. Many companies do not use all possible best practices, but they do incorporate some of them, or may be beginning to do so.*

*Be sure to cover at least the following questions in your interview:*

1. *Why is supply chain management important to a company?*
2. *What operations management (including supply chain management) tools are used by the company to support best practices?*
3. *What alliances or partnerships does the company have with other companies?*
4. *How does the company receive components and/or materials for its product or service?*
5. *How are component parts integrated into the production process?*
6. *What are the key tradeoffs associated with JIT manufacturing?*
7. *What are the key tradeoffs in making outsourcing decisions?*

*Components*

*Complete both of the assessment components outlined below.*

*Interview Component: Once you complete your interview, use the information to write an analysis that accomplishes the following:*

* *Explain why supply chain management is important to a company.*
* *Describe operations management (including supply chain management) tools used to support best practices.*
* *Discuss alliances or partnerships a company might have with other companies to support its operations management strategy.*
* *Describe how a company receives components and/or materials for its product or service.*
* *Explain how the component parts are integrated into the production process.*
* *Describe the key tradeoffs associated with JIT manufacturing.*
* *Describe the key tradeoffs in making outsourcing decisions.*

*Scenario Component: For the final component of this analysis, consider the following specific potential outsourcing situation:*

*ABC has determined it can manufacture the new valve product internally for $27,000 in fixed costs (FC) and $8 variable costs (VC) per unit. The company president has estimated ABC will sell 4,800 (unit volume = UV) of these valves each year. Jay Production, a small but highly reputable company specializing in outsourced mechanical manufacturing, has contacted ABC's president, and offered to manufacture this new valve for ABC for an annual fee of $29,000 plus $6 per unit.*

* *Provide the algebraic equation for determining the total annual manufacturing cost (TC) of the valve (using TC, FC, VC, and UV as variables).*
* *Calculate and provide the total annual manufacturing cost if the valve is manufactured by ABC.*
* *Calculate and provide the total annual manufacturing cost if the valve is manufactured by Jay.*
* *Indicate which is better from a total annual manufacturing cost standpoint.*