Supply Chain Improvement with Design Structure Matrix Method and Clustering Analysis (A Case Study)

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ABSTRACT
Many strategic businesses attempt to achieve coordinating operations of company across departments using information and communication flow for their supply chain network. One of customer goods companies in Surabaya attempts to improved their flow of information and communication using Design Structure Matrix (DSM). DSM is a method that could provide an alternative system grouping work activities. The activities of each department data and data interaction between the elements are needed to develop DSM. The research is done in the inter-department and intra department. The analysis technique used is the clustering analysis, which consists of hierarchical methods. The results show that for inter-department single linkage hierarchical clustering method with a number of groups of three is the best number of groups. For intra-planning department and intra-RMS department, the best number of groups is 14 and 8, respectively, using ward linkage method.

Keywords
supply chain, the design structure matrix, clustering analysis.

1. INTRODUCTION
Nowadays, competitive pressures and changes in the economic conditions have forced companies to continuously improve their competitive advantage by creating new strategic business. Many strategic businesses attempt to achieve coordinating operations of company across departments using information and communication flow for their supply chain network. Simchi (2005) stated that coordination of the supply chain has become strategically important as new forms of organization, such as virtual enterprises, global manufacturing and logistics networks, and other company-to-company alliances, evolve.

The customer goods industries are not an exception for developing and creating the new strategies. They usually have a long supply chain and a complex network of supply chain. The multifaceted of supply chain network may occur the ineffective of information flow, inefficient the use of information and communication. Ogulin (2003) suggests three distinctive waves of supply chain management in the new economy: operational excellence, supply chain integration and collaboration, and virtual supply chains. Operation excellence refers to the degree of sharing within company, workflow activities across department within the company in order to achieve efficiencies from increased order accuracy and timely shipments. Workflow activities and the interactions between elements can be depicted in a design structure matrix (DSM). A DSM can achieve an alternative system to provide an alternative system to perceive how strong the relationship between the elements effectively. After developing a DSM, the closeness relationship of activities in a DSM could be clustered using the use of information and communication. The clustering analysis is useful to classify the groups with the similar characteristics (Barolomei, 2007).

This research aims to propose an alternative system in a customer goods industry by applying DSM and clustering analysis.

2. LITERATURE REVIEW
Design structure matrix is a matrix which aims to show all the interactions between elements (Chen & Huang, 2007). DSM has the advantage that they can improve the structure of the system by using matrix-based analysis techniques. Figure 1 presents the structure of the DSM. The input on a cell is the relationships between two elements.
Type of interaction in DSM can be divided into two, namely numerical binary DSM (Chen & Huang, 2007). The first type is the type of interactions that binary interactions, which interaction is only worth or not there is interaction. This type of interactions is able to show interaction between each element, but still have shortcomings. This type cannot describe how strong the interaction between one and another element. The second type of interaction in the DSM is the numerical which the value is worth its interaction with the figures.

2.1 Clustering Analysis
Clustering analysis is a method of classifying an object into one or more than one group, so that each object is located in one group will have the same value of interaction. Clustering analysis aims to form groups with similar characteristics. Two kinds of methods in clustering analysis are hierarchical methods and non-hierarchical method (Sharma, 2006). Hierarchical method is a method that takes into account the distance between the two groups. Five-way hierarchical clustering methods are in the following:

- Single linkage clustering
- Complete linkage clustering
- Centroid linkage clustering
- Average linkage clustering
- Ward linkage clustering

In order to calculate the similarity value, the squared Euclidean distance can be applied. The squared Euclidean can be calculated in the formula 1.

\[ D_{ij} = \sum_{k=1}^{p} (X_{ik} - X_{jk})^2 \]

where:

- \( D_{ij} \): distance between elements \( i \) and \( j \)
- \( X \): the different data elements on
- \( i \): an element which was in line
- \( j \): is the element in column
- \( k \): a number of variables of each of the elements

3. RESEARCH METHODOLOGY
This research was designed and conducted using primary and secondary data. Primary data is applied by doing interview to the manager and his subordinates in the planning department and raw material store. The interviews used to obtain the workflow for each department. In addition, it also gives the information for determining the elements that are based on the activity manager and the subordinates. Secondary data used there are two that work instructions and past data on program systems and applications products in data processing in order to add elements that are not derived from the interviews and obtained the data flow.

Data collection is designed in a Design Structure Matrix (DSM) and clustered using hierarchical methods and non-hierarchical method. Hierarchy has five different methods of linkage which often used for complete linkage, single linkage, average linkage, wards, and centroid. These five methods will be selected based on the highest similarity value.

Clustering analysis aims to classify the activities contained in the DSM with a number of specific groups. Grouping is done based on distance data, which will make the flow of information between departments optimally. The method used to determine which group has a high value and the closeness low in the analysis of the distance is squared Euclidean distance. Finally, selection the best method of clustering analysis is done by considering the current conditions.

4. ANALYSIS
After collecting data, design structure matrix (DSM) is built. The activities of two departments can be classified into 129 elements. The interaction values in each cell are obtained from number of transactions in raw material store department and number of daily activities in planning department. The example of DSM is shown in figure 2.
linkage, average linkage, wards, and centroid. These five methods will be selected based on the highest similarity value. The similarity level of each method and each clustering can be seen in Table 1.

The result shows that single linkage method gives the highest similarity value. After calculating single linkage, the best clustering is determined through a combination of the computation RMSSTD with the company’s current condition.

Similarity Hierarchical method is an appropriate method because all elements have relationships with one another. Value of RMSSTD for each number of groups can be seen in Table 2. The result shows that 10 groups give the smallest RMSSTD. But, this classification does not fit with the company’s condition and consideration. After discussing and interviewing the company’s expert about the classification each number of groups, we can get the result that the best number of cluster is three groups.

In this research, clustering analysis is also applied to group the activities in Planning Department and Raw Material Store Department. The number of the selected group in Planning Department is 14. The result shows the single linkage clustering method is the highest in term of similarity value. Unfortunately, it is not suitable for company’s current condition. Wards linkage clustering method gives an appropriate number of groups in term of company’s current condition (figure 3). Group activity was initially assessed based on the type of product, whereas proposed group is classified based on the closeness activities of the group.

5. CONCLUSION

The result of clustering analysis interdepartmental planning and RMS differs from the grouping prior to the DSM. Total group originally owned by the company prior to using the DSM is the eight groups, after performing clustering analysis with the DSM has been reduced to three groups. The closeness relationship between the planning department and department RMS makes both departments need to be placed together or into one large department.

Clustering analysis of intra-departmental planning has brought changes in the group activities held by the department. The first group owned by the department is planning three groups, after performing clustering analysis of these groups has increased to fourteen groups.

Analysis of intra-departmental grouping of RMS has brought changes in the group activities held by the department. Total group originally owned by the department RMS are five groups, after analyzing the grouping of these groups has been increased to eight groups.
6. REFERENCES


