

Contents

Chapter 1: Introduction	1
1.1 Some Typical Examples of Distributed Decision Making Situations	7
1.2 Examples of DDM Systems	11
1.3 Some Important Properties of DDM Systems	17
1.4 Outline of the Treatise	19
 PART I: Basic Foundations	 23
Chapter 2: Basic Concepts	25
2.1 General Characterization of Hierarchical Planning Structures	26
2.2 Coupling Equations and Anticipation Function	32
2.3 Distinguishing DDM Systems by Their Team Character within Hierarchical Interactions	39
2.4 Classifying General Planning Hierarchies by Their Anticipation	41
2.5 Illustrative Examples	46
2.5.1 Example 1: Make-or-Buy Decisions	46
2.5.2 Example 2: A Working Time Planning Model	53
2.5.3 Example 3: Supply Contracts	57
2.5.4 Example 4: Stackelberg Duopoly	65
2.6 Some Remarks Concerning General Solution Properties	69

Chapter 3: Constructional DDM Systems	73
3.1 Decomposition DDM Systems	75
3.1.1 A Capacity Adaptation Model	76
3.1.2 A Coordination DDM System of the Dantzig/Wolfe Type ..	81
3.2 Relaxation Systems	86
3.3 A Brief Remark on Bi-Level Programming	90
 Chapter 4: Organizational DDM Systems	 93
4.1 Top-Down DDM Systems	94
4.1.1 A Hierarchical Planning Model for the Repair Shops of the Deutsche Lufthansa AG	95
4.2 Tactical-Operational DDM Systems	99
4.2.1 Capacity Adaptation Hierarchy	101
4.2.2 Investment-Production Hierarchies	104
4.2.3 Strategic-Tactical-Operational DDM System	107
4.3 Value of Information and Delegation	113
4.3.1 Value of Information	113
4.3.2 Value of Delegation	115
4.4 Some Brief Remarks on Stochastic Programming	116
4.4.1 An Example of a Two-Stage Linear Stochastic Programming	119
4.4.2 Some General Remarks on Solution Procedures	121
 Chapter 5: Principal Agent Theory	 125
5.1 Information Situation in the Principal Agent Theory	126
5.2 The Standard Problem of Principal Agent Theory	130
5.3 An Illustrative Example with Risk-Neutral Antagonists	133
5.3.1 Problem Statement and Problem Formulation	133
5.3.2 Problem Solution	135
5.4 Some General Observations Concerning the Solution of the Principal Agent Coupling Equations	138
5.5 The LEN Model	140
5.6 Some Extensions of the Standard Situation	146
5.6.1 Self-Selection Illustrated with a Supply Chain Contract	147
5.6.2 Hidden Information and Truthful Communication	149

PART II: General Applications	157
Chapter 6: Hierarchical Production Planning	159
6.1 Standard Model of Hierarchical Production Planning	160
6.1.1 The Structure of the Model	160
6.1.2 Mathematical Formulation of the Decision Models for the Three Levels	163
6.1.3 General Discussion of Hierarchical Production Planning ...	166
6.2 Integrative Hierarchical Production Planning	170
6.2.1 A Model to Illustrate the Integrative Approach to HPP	171
6.2.2 Interpretation of the Integrative Model in Terms of a Tactical-Operational DDM System	177
6.2.3 General Discussion of Aggregation Procedures and the Integrative HPP	179
6.3 Process Production	183
6.3.1 A Dynamic Programming Formulation for Medium-Term and Short-Term Process Production	184
6.3.2 Integrative Hierarchical Production Planning for Process Production	191
6.4 General Discussion	201
Chapter 7: Organizational Design	205
7.1 Designing the Organizational Structure as a DDM Problem	206
7.2 Process Design: The Design of a Flexibility Potential	209
7.2.1 Some Preliminary Remarks	210
7.2.2 Elementary Components of a Flexibility Measure	211
7.2.3 A General Measure of Flexibility	213
7.2.4 Numerical Specification of Flexibility	214
7.2.5 Planning and Implementation Ability as Further Components of Flexibility	216
7.2.6 The Design of Flexibility as a Hierarchical Planning Problem	217

Chapter 8: Implementation	221
8.1 Planning and Implementation as a Two-Stage	
Decision Problem	223
8.2 Implementation as a Three-Stage Hierarchy	225
8.2.1 A General Model	225
8.2.2 The Solution Hierarchy	227
8.3 Formal Description of the Planning and	
Implementation Problem	228
8.3.1 The Coupling Equations	228
8.4 Working Time Contract	230
8.5 Implementation of Lotsizes	233
8.5.1 The Planning Level: Determination of Target Lotsizes	235
8.5.2 The Implementation Level: Adaptation of Target Lots	236
8.5.3 Anticipation	238
8.5.4 Description within the Framework of Hierarchical Planning	239
 Chapter 9: Supply Chain Management	 243
9.1 The Design of Supply Chain Contracts to Coordinate	
Operational Interdependencies	247
9.1.1 Type of Contracts and Their Operational Impact	248
9.1.2 A Formal Description of the Operational Level	253
9.1.3 The Contract Level	262
9.1.4 Numerical Analysis	266
9.1.5 Summarizing Remarks	273
9.2 Process Coordination in a Supply Chain -	
a Continuous One-Period Model	274
9.2.1 Problem Description	274
9.2.2 Main Features of the Producer's and Supplier's Model	277
9.2.3 Coordination Schemes	278
9.2.4 Analytic Investigation	279
9.2.5 An Illustrative Numerical Example	283
9.3 A Multi-Period Model with Private Information	285
9.3.1 General Characteristics of the Multi-Period Model	286
9.3.2 Formal Description of the Supply Link	288
9.3.3 The Interrelation of the Producer's and the Supplier's Model	295
9.3.4 Types of Anticipation and Coordination	296

9.3.5	Numerical Analysis	300
9.3.6	General Discussion	307
9.4	Distributed Decision Making in Supply Chain Management	310
9.4.1	The Nature of DDM Problems in Supply Chain Management	312
9.4.2	Proper DDM Problems in Supply Chain Management	316
9.5	The Contribution of Different Sciences to DDM in SCM ...	319

Chapter 10: Service Operations323

10.1	Characterization of Services	324
10.1.1	Specification of Service Operations	324
10.1.2	Phases of Service Production	326
10.2	Execution Phase of a Service Operation	329
10.3	The Agreement-Execution Relationship	331
10.4	Delegation of a Service Operation	334
10.4.1	Coupling Equations	337
10.4.2	Modeling the Relationship Between Manager and Agent ...	339

Chapter 11: Managerial Accounting341

11.1	General Considerations and the Cost Value Problem	343
11.1.1	Classification	344
11.1.2	The Cost Value Problem	347
11.2	Steering Costs	347
11.2.1	Description of the Concept of Steering Costs	348
11.2.2	A Numerical Example	350
11.3	Tactical-Operational Cost Evaluation	352
11.3.1	Investment-Oriented Depreciations - Preliminary Considerations	353
11.3.2	Description of the Investment and the Production Level ...	354
11.3.3	Defining Investment-Oriented Depreciations	360
11.3.4	An Illustrative Numerical Example and Some Further Numerical Insights	363
11.3.5	General Discussion	367
11.4	Decision-Oriented Assignment of Common Cost	368
11.4.1	The Cost Separation Problem	370
11.4.2	The Algorithmic Determination of Steering Costs	372

11.4.3	The Complete Cost Assignment Problem	374
11.5	Strategic Costs	376
11.6	Cost Parameters as Incentives	377
11.6.1	Incentives and Behavioral Costs	377
11.6.2	Distorted Costs as Incentives	379
11.6.3	Transfer Prices as Incentives	381
 PART III: Leadership and Coordination Processes		385
 Chapter 12: General DDM Systems		387
12.1	The Individual Decision Process	389
12.1.1	General Two-Step Structure	389
12.1.2	A More Refined Description	391
12.1.3	The Entire Decision Process	395
12.2	A Formal Description of General DDM Systems	398
12.2.1	The Interaction of Individual Decision Processes	398
12.2.2	The General Coupling Equations	401
12.2.3	Leadership Properties of the Coupling Equations	405
 Chapter 13: Coordination through Communication		411
13.1	General Features of a Coordination and Communication Process	412
13.2	A Linear Coordination Process	415
13.3	Hierarchical Interference with the Base-Level Decision Processes	418
13.4	The Entire Coordination Process	420
 Chapter 14: Negotiations		423
14.1	A Hierarchical Negotiation Situation	424
14.2	A Formal Description of the Negotiation	427
14.3	Negotiations in the Presence of Multiple Scenarios	429
14.4	The Strategic Decision	432
14.5	The Entire Negotiation Process	433

Chapter 15: Distributed Decision Making in	
Multi-Agent Systems	437
15.1 A Brief Description of MAS	438
15.2 Three Illustrative Examples of MAS	442
15.2.1 Coordination of Inventories in a Supply Chain	442
15.2.2 A Complex Multi-Facility Scheduling Problem	445
15.2.3 A Market Coordination of Locally Optimizing Agents in the Supply Chain	446
15.3 Multi-Agent Systems as Special DDM Systems	447
 Chapter 16: A Unifying Perspective of the	
Management Process	451
16.1 Summarizing Key Notions of DDM	452
16.2 DDM and Specific Theories in Business Administration ...	456
16.3 DDM and Non-Management Sciences	459
16.4 The Management Process	460
 Exercises	463
 Solutions to the Exercises	477
 Bibliography	507
Index	525