Sample Answers to In-Text Questions

**Chapter 2: Operations and Supply Chain Strategies**

# Discussion Questions

1. In what ways does the triple bottom line affect how the strategies for a firm’s operations function are formulated and implemented?

Answer: It means that a corporation must take into consideration the 3 overlapping strategies in Figure 2.2, Environmental, Economic, and Social strategies to get a balance of value from the three.

2. FedEx’s core competency is embedded in its slogan: *When it absolutely, positively has to be there overnight.* Identify that core competency.

Answer: Core competencies are Quality of on-time commitment, and Speed of Delivery

3. Describe why an operations strategy is critical to a firm.

Answer: It is critical that the operations function have a good strategy to help the firm achieve a competitive advantage. You need to balance costs, quality, speed, and innovation to satisfy the goals of the corporate and business units/ strategies.

4. Why is it important to maintain a strategic fit among the four elements of an operations strategy? How can a company resolve any mismatches among them that result from changing market trends or customers’ order-winning criteria?

Answer: The four elements must balance with the corporate goals in the most optimal way. They must be continually evaluated with the goal of staying in balance with the changing markets, and trends, products and processes.

5. What do you think are the order-winning and order-qualifying criteria for the furniture retailer IKEA (Delft, the Netherlands)?

Answer: An order qualifying criteria might be its reputation for quality or its broad selection, or the convenience of the store. The Order winners might be something like the actual quality of the product, how easy the assembly is, the service reputation, etc.

6. Suppose you own a lawn mowing and snowplowing service and are planning to provide these services to homeowners in a wealthy neighborhood. How would you use the concepts of order winners and order qualifiers to formulate and implement your service operations strategy?

Answer: You must know what level of services this customer set requires, and provide it with a high reputation to be in the qualifier set. The Order winner might be from references, proper sales approach, and general image of the company better than the competition, etc.

7. From an operations strategy perspective, how can the balanced scorecard be used as a performance measurement system?

Answer: The balanced scorecard measures the financial success, which is affected by prices, and repeat business. The Customer area is measured by satisfied customers with respect to the product quality and availability in distribution, and delivery. The Learning and growth success is measured by things like customer service, and quality improvement and learning from mistakes. The Process success is measured by the efficiency and effectiveness of all of the operations processes in each area of the supply chain.

8. Develop a balanced scorecard for a regional airlines company.

Answer: All the financial health measurements. All of the Customer satisfaction metrics, on time, lost luggage, etc. Learning metrics such as not repeating mistakes, and complaint satisfaction. Honing the internal processes to a high degree, such as airside opns, customer opns, maintenance opns, etc.

9. Compare the operations strategies for goods versus service firms.

Answer: Operations strategies for goods center around production, quality, inventory, capacity, etc. The service firm usually concentrates more on location, training of personnel, flexibility to handle any customer problem, location and interplay of front stage, back stage, and support operations, etc.

10. A key supply chain strategy decision is to determine the structure of a firm’s supply chain. How do you think the supply chains for Walmart and IKEA are structured?

Answer: This might be centered on location, selection of merchandise, delivery strategies, number of warehouses, capabilities, etc.

11. What are the distinguishing features of companies that lead the way with sustainable supply chain strategies?

Answer: this might include the carbon footprint, the end-to end sustainability, recycling, reduction of packaging, etc.

12. What are the six capabilities needed for an integrated global operations and supply chain strategy?

Answer: things like integrated sales and operations, an effective network to deliver quality and speed, better collaboration with supply chain partners, logistics partners no navigate the complexities of global trade, effectively find low cost, quality suppliers, and a market strategy to best utilize the company’s core competencies and external resources.

13. Define productivity. What is the difference between productivity and efficiency?

Answer: Productivity is the ratio of Output divided by input. Efficiency tells us how economically our resources are used, and Productivity tells us the output of those resources. Productivity is a combination of efficiency and effectiveness.

14. Define single-factor, multifactor, and total productivity measures.

Answer: Productivity can be expressed by the output of a single resource, or by the output of a combination of resources.

15. A multinational company has two manufacturing plants, one in Germany and the other in China. Both plants produce the same product, which is sold in their respective countries. By using a partial productivity measure for labor, an analyst for the company finds the productivities of these two plants are significantly different.

1. Explain the some of the possible reasons for the difference.

Answer: The output of Labor hours might be effected by many factors such as different processes, equipment, technology, environment, etc. The price of labor hours would affect the output per labor dollars.

1. Why might a comparison of the two plants’ productivity using a single factor be misleading?

Answer: Some resource factors might be more efficiently used than the other factory. Which factor is used might favor one over the other.

1. Can you think of another productivity measure that would be more meaningful?

Answer: multifactor measures might give a better picture.

16. What are some of the inherent problems in measuring productivity in the service sector?

Answer: The services might not be of the same content or difficulty. The productivity of a surgeon might not be just how many operations does she perform?

17. Outline the factors that affect productivity.

Answer: This is listed in Table 2.4

18. What are the steps that you would take to improve productivity in a manufacturing organization? in a service organization?

Answer: Improve meaningful measurements, benchmark with similar industries and competitors, treat employees as valued assets, and empower them to suggest improvements, improve trust and communications, etc.

19. Describe the initiatives companies can undertake to incorporate sustainability into their supply chain strategies.

Answer:

* Design products with a focus on sustainability
* Actively manage company’s supply chain carbon footprint
* Choose processes and systems that offer the best return
* Take an integrated view of sustainability across the supply chain”

In addition to overall reduction in energy consumption, other pragmatic mitigation strategies initiated by these companies include the introduction of energy-efficient lighting, material recycling, and proactive preventative maintenance.

It is important to recognize that sustainability can take many forms. For example, companies can encourage sustainable practices from themselves and their suppliers, they can support the use of sustainable materials or transportation methods, or they ensure that their sourcing and distribution practices support sustainable outcomes, minimizing fuel or raw materials consumption.

# Critical Thinking Exercise

This article discusses how Nestlé coped with the volatility in food and raw material costs. The company crafted a strategy that doesn't depend on commodity prices falling. This strategy relied on the efficiency of the operations function to reduce costs, while producing and launching premium, higher-margin products in which raw material costs account for a smaller percentage of the retail price.

Read the article titled [Nestlé's Recipe for Juggling Volatile Commodity Costs](https://www.bloomberg.com/news/articles/2011-03-17/nestl-s-recipe-for-juggling-volatile-commodity-costs) and answer the questions that follow it. You can access this article by clicking on the link:

**Discussion Questions**

1. Why is the information presented in this article important from an operations strategy perspective?

Answer: It is an innovative way to look at cost controls, and price jumps, and not tie your price and quality to a volatile market.

2. Based on this article, what in your opinion are Nestlé’s distinctive competencies?

Answer: Boosting crop yields, driving internal savings, reducing raw materials, etc.

3. How can a low-cost strategy be good for operations management? Can it be bad? If so, how?

Answer: A low cost strategy depends on low costs from suppliers, and some markets are more volatile. It is usually a great challenge to be lean in every respect. A low cost strategy is rarely good for operations, unless you are able to use it to squeeze out lower costs of materials from your supplier. (You know we can’t pay that much!), etc. and the supplier will comply.