

**Chapter 01 - Supply Chain Management: An Overview**

1. The first decade of the twenty-first century was a period of rapid change for organizations, especially businesses.

- a. True
- b. False

ANSWER: True

2. An organization practicing sustainable supply chain management expects its suppliers to conform to the same sustainability standards it holds.

- a. True
- b. False

ANSWER: True

3. As more collaboration is practiced among organizations in the supply chains, they can lose shared cost savings and improved customer service.

- a. True
- b. False

ANSWER: False

4. Supply and demand have become less volatile as managers have become more adept at controlling the elements.

- a. True
- b. False

ANSWER: False

5. Private sector companies are placing increased emphasis on strategies to deal with the risk of disruptions, whether they be natural dictators or other disruptive forces.

- a. True
- b. False

ANSWER: True

6. Sustainability reporting is a growing practice, either mandatory or voluntary, due to the demand for transparency in the supply chains.

- a. True
- b. False

ANSWER: True

7. The management of supply chains is both an art and a science.

- a. True
- b. False

ANSWER: True

8. Porter's value chain concept, developed as a tool for competitive analysis and strategy, was a complement to integrated logistics.

- a. True
- b. False

ANSWER: True

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9. Beginning in the late 1970s and into the 1980s, the US transportation industry was deregulated. The net result was a less competitive environment.

- a. True
- b. False

ANSWER: False

10. Most retailers are essentially supply chain companies because they:

- a. dominate the consumer market.
- b. own their warehouses and trucks.
- c. buy products produced by others.
- d. engage in off-shore sourcing.

ANSWER: c

11. What are the three interrelated components of the triple bottom line (TBL) in the context of sustainability practices in supply chain management?

- a. Profit, Production, Performance
- b. People, Planet, Growth
- c. Environment, Efficiency, Economy

ANSWER: b

12. Which of the following supply chain flows is considered as “life blood” of the supply chain?

- a. Product flow
- b. Information flow
- c. Financial/cash flow
- d. Demand flow

ANSWER: a

13. How has faster supply chain compression impacted financial flows?

- a. Slowing down cash flow
- b. Increasing working capital
- c. Improving financial viability
- d. Reducing order-to-cash cycle

ANSWER: d

14. Why do some companies choose a more flexible production schedule despite the potential for higher production costs?

- a. To streamline communication with suppliers
- b. To meet spikes in demand
- c. To slow down production permanently
- d. To decrease production flexibility

ANSWER: b

15. How does effective Supply Chain Management (SCM) contribute to inventory levels?

- a. It increases inventory levels.
- b. It decreases inventory levels.

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- c. It provides an opportunity to reduce inventory levels.
- d. It focuses on centralized inventory control.

**ANSWER:**

c

16. Logistics, in its simplest form,

- a. is a military term, as it was developed originally to supply the battlefield.
- b. combines inbound logistics with the outbound logistics of physical distribution.
- c. is another term for transportation management.
- d. does not involve customer service or other related functions.

**ANSWER:**

b

17. Ten years ago, Southwest Auto Parts shipped the same number of parts to all of its 147 locations once a month. Today, Southwest uses a sophisticated inventory system to monitor the stock at each location, adjusting the number of parts shipped to each store to prevent under- or overstocking. Within an integrated supply chain, this is an example of a change in:

- a. product flow.
- b. information flow.
- c. cash flow.
- d. demand flow.

**ANSWER:**

d

18. Why is the talent management of supply chain professionals considered critical in today's organizations?

- a. It is a recent trend with no historical significance.
- b. Supply chains have become less complex.
- c. The role of supply chain professionals is diminishing.
- d. The complexity of modern supply chains requires expertise.

**ANSWER:**

d

19. Henderson Air, Inc. manufactures heating and air conditioning units. Once a day, Henderson's computerized inventory system monitors the number of bolts and other fasteners the company needs to maintain production. If the amount of any type of fastener in inventory dips below preset standards, the computer automatically sends an order for more fasteners to Acme Fastener and Tool Company. This is an example of:

- a. information flowing backward from the customer to the supplier.
- b. information flowing forward from the supplier to the customer.
- c. information flowing laterally between the customer and the supplier.
- d. information flowing forward from the customer to the supplier.

**ANSWER:**

a

20. Acme Fastener and Tool Company had a six-hour work stoppage yesterday, which means the company does not have its usual number of fasteners stored in inventory. Concerned that the inability to fulfill all current orders may have an adverse effect on some customers, Acme's account executives notify all customers, including Henderson Air, Inc., that there could potentially be a small delay in delivering some orders. This is an example of:

- a. information flowing backward from the customer to the supplier.
- b. information flowing forward from the supplier to the customer.

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- c. information flowing laterally between the customer and the supplier.
- d. information flowing backward from the supplier to the customer.

**ANSWER:**

b

21. In Porter's value chain concept, which components are identified as primary contributors to the value chain?

- a. Marketing and manufacturing
- b. Inbound and outbound logistics
- c. Research and development
- d. Human resources and finance

**ANSWER:**

b

22. In today's environment, why is the product flow considered a two-way flow?

- a. Growing importance of demand flow
- b. Increasing focus on cash flow
- c. Emerging reverse logistics systems
- d. Decreasing importance of information flow

**ANSWER:**

c

23. What is a key challenge for organizations due to globalization and supply chain consolidation?

- a. Decreased SKU complexity
- b. Simplified transportation requirements
- c. Expansion of inventory management issues
- d. Reduced trade regulations

**ANSWER:**

c

24. Don is comparing quotes from two different shippers. One shipper offered a lower price but will require three weeks to ship their products, while the other has offered to deliver the goods to his customer in 10 days, but for a higher price. Don is evaluating:

- a. outbound logistics versus inbound logistics.
- b. cost performance versus schedule performance.
- c. cost versus value.
- d. profit versus customer service.

**ANSWER:**

c

25. Why do some companies have what financial organizations call "free" cash flow?

- a. They delay billing customers.
- b. They collect from customers before paying vendors or suppliers.
- c. They focus on slower order fulfilment.
- d. They avoid working capital management.

**ANSWER:**

b

26. What is the significance of the faster cash-to-cash cycle in the supply chain?

- a. Increased working capital for companies

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- b. Delayed payments from customers
- c. Reduced efficiency in supply chain management
- d. Minimal impact on financial markets

**ANSWER:**

a

27. What is the significance of Globalization in Supply Chain Management?

**ANSWER:** Arguably, globalization is the most frequently cited change factor by business leaders, and it has replaced the post-World War II Cold War as the dominant driving force in world economics. The concept of the global marketplace or global economy has taken on new meaning for all enterprises (profit and nonprofit; small, medium, and large; products or services) and for individual consumers during the last two decades. Overall, globalization has led to a more competitively intense economic and geopolitical environment. This environment manifests itself in opportunities and threats, both economic and political. Some individuals have implied that there is no “geography” in the current global environment (figuratively speaking) or, perhaps more aptly, that time and distance have been compressed.

28. Explain how today’s consumers are empowered and how they impact Supply Chain Management.

**ANSWER:** Today’s consumers are more enlightened and educated, and they are empowered more than ever by the information that they have at their disposal from the Internet and other sources. Their access to supply sources has expanded dramatically beyond their immediate locale by virtue of catalogs, the Internet, and other media. They have the opportunity to compare prices, quality, and service. Consequently, they demand competitive prices, high quality, tailored or customized products, convenience, flexibility, and responsiveness. They tend to have a low tolerance level for poor quality in products and services. Consumers also have increased buying power due to higher income levels. They demand the best quality at the best price and with the best service. These demands place increased challenges and pressure on the various supply chains for consumer products.

29. Describe the concept of an “integrated logistics management.” What are the benefits of considering outbound and inbound logistics as a whole?

**ANSWER:** Supply chain management can be viewed as a pipeline or conduit for the efficient and effective flow of products, materials, services, information, and financials from the supplier’s suppliers through the various intermediate organizations or companies out to the customer’s customers, or a system of connected networks between the original vendors and the ultimate final consumer. Some of the factors related to inbound logistics include more efficient transportation planning and global sourcing of materials and supplies. The extended enterprise perspective of supply chain management, which considers inbound and outbound logistics as a whole, represents a logical extension of the logistics concept, providing an opportunity to view the total system of interrelated companies for increased efficiency and effectiveness.

30. Discuss the impact of federal deregulation on the financial sector in terms of competitiveness, flexibility, and responsiveness to customer needs. Highlight the changes in business operations related to cash flow, purchase cards, and short-term investment.

**ANSWER:** Federal deregulation in the financial sector brought forth heightened competitiveness, flexibility, and responsiveness to customer needs. Financial markets became more dynamic, adapting to evolving customer requirements. Changes in business operations included shifts in cash flow management, adoption of purchase cards, and modifications in short-term investment strategies. Supply chain management gained prominence as businesses recognized its pivotal role in enhancing asset efficiency and managing cash flow within the deregulated financial landscape.

31. Discuss how Performance Measurement can affect Supply Chain Management.

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**ANSWER:** Most organizations have measures of performance or metrics in place to analyze and evaluate their efficiency and progress over different time periods. Sometimes, such measures are used for setting baseline performance objectives or expected outcomes, for instance, orders filled and shipped per day. Measurement is important, and at this juncture, it is important to recognize that lower-level metrics in an organization must connect directly to the high-level performance measures of the organization and the supply chain, which are usually net profit, return on investment, or assets and cash flow. In some instances, metrics are set that appear logical for the subunit of the organization but are suboptimal for the overall organization or supply chain. For example, the warehouse manager who is measured by the cost per cubic foot of units stored will be motivated to fill the warehouse to the ceiling.

32. What is the role of Transportation Management in connection with Supply Chains?

**ANSWER:** Transportation can be viewed as the glue that makes the supply chain model function. The critical outcomes of the supply chain are to deliver the right product, at the right time, in the right quantity and quality, at the right cost, and to the right destination. Transportation plays an important role in making these “rights” happen. Another aspect of the importance of transportation is related to some of the strategies that are being used by companies to remain competitive in today’s economy—for example, just-in-time inventory, lean logistics and manufacturing, and scheduled deliveries. The challenge has been exacerbated by economic changes among transportation providers; shortages of drivers, higher fuel costs, and changes in driver hour regulations have led to what some individuals have called a transportation crisis or the “perfect storm.” Transportation has gone from being a readily available commodity to potential users, especially in the 1990s, to today where transportation is scarce in some market areas.

33. Explain how the deregulation of the U.S. transportation industry in the 1980s impacted the competitive landscape and services offered by transportation companies. Provide examples of the expanded services offered and their strategic significance.

**ANSWER:** The deregulation of the U.S. transportation industry in the 1980s transformed the competitive landscape by fostering a more open and competitive environment. Transportation companies, previously bound by economic controls, were liberated to offer diverse services. Many motor carriers transitioned into logistics services providers, extending their offerings to include order fulfillment, inventory management, and warehousing. This shift strategically positioned them as comprehensive logistics partners, adding value beyond traditional transportation services.