

Chapter 2 Operations Strategy in a Global Environment

True/False

1) NAFTA seeks to phase out all trade and tariff barriers among Canada, Mexico, and the United States.

Answer: TRUE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

2) The World Trade Organization has helped to significantly reduce tariffs around the world.

Answer: TRUE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

3) Production processes are being dispersed to take advantage of national differences in labor costs.

Answer: TRUE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

4) NAFTA seeks to phase out all trade and tariff barriers between the United States and Asia.

Answer: FALSE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

5) One reason for global operations is to gain improvements in the supply chain.

Answer: TRUE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

6) One reason to globalize is to learn to improve operations.

Answer: TRUE

Diff: 1

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

7) To attract and retain global talent, and to expand a product's life cycle, are both reasons to globalize.

Answer: TRUE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

8) A product will always be in the same stage of its product life cycle regardless of the country.

Answer: FALSE

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

9) The World Trade Organization helps provide governments and industries around the world with protection from firms that engage in unethical conduct.

Answer: TRUE

Diff: 2

Topic: A global view of operations

AACSB: Ethical Reasoning

Objective: no LO

10) Boeing's development of the 787 Dreamliner is an example of a company obtaining a competitive advantage through product differentiation/innovation.

Answer: TRUE

Diff: 1

Topic: Global company profile

Objective: no LO

11) An organization's strategy is its purpose or rationale for an organization's existence.

Answer: FALSE

Diff: 1

Topic: Developing missions and strategies

Objective: LO2-1

12) Operations strategies are implemented in the same way in all types of organizations.

Answer: FALSE

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

13) Experience differentiation is an extension of product differentiation, accomplished by using people's five senses to create an experience rather than simply providing a service.

Answer: TRUE

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

14) An organization's ability to generate unique advantages over competitors is central to a successful strategy implementation.

Answer: TRUE

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

15) Low-cost leadership is the ability to distinguish the offerings of the organization in any way that the customer perceives as adding value.

Answer: FALSE

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-3

16) Most services are tangible; this factor determines how the ten decisions of operations management are handled differently for goods than for services.

Answer: FALSE

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

17) The relative importance of each of the ten operations decisions depends on the ratio of goods and services in an organization.

Answer: TRUE

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

18) Decisions that involve what is to be made and what is to be purchased fall under the heading of supply-chain management.

Answer: TRUE

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

19) Manufacturing organizations have ten strategic OM decisions, while service organizations have only eight.

Answer: FALSE

Diff: 1

Topic: Ten strategic OM decisions

Objective: LO2-3

20) Errors made within the location decision area may overwhelm efficiencies in other areas.

Answer: TRUE

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

21) Southwest Airlines' core competence is operations.

Answer: TRUE

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

22) *Key success factors* and *core competencies* are synonyms.

Answer: FALSE

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

23) SWOT analysis is a method of determining external strengths and weaknesses and internal opportunities and threats.

Answer: FALSE

Diff: 2

Topic: Strategy development and implementation

Objective: no LO

24) For the greatest chance of success, an organization's operations management strategy must support the company's strategy.

Answer: TRUE

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

25) Key Success Factors are those activities that are key to achieving competitive advantage.

Answer: TRUE

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

26) A multinational corporation has extensive international business involvements.

Answer: TRUE

Diff: 1

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

27) The multidomestic OM strategy maximizes local responsiveness while achieving a significant cost advantage.

Answer: FALSE

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

28) Firms using the global strategy can be thought of as "world companies."

Answer: FALSE

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

Multiple Choice

1) Which of the following statements regarding the Dreamliner 787 is true?

A) Boeing has found partners in over a dozen countries.

B) The new aircraft incorporates a wide range of aerospace technologies.

C) The new aircraft uses engines from not one, but two manufacturers.

D) Boeing will add only 20 to 30 percent of the aircraft's value.

E) All of the above are true.

Answer: E

Diff: 2

Topic: Global company profile

Objective: no LO

2) Boeing's new 787 Dreamliner

A) is assembled in Washington, D.C.

B) uses engines from Japan

C) has its fuselage sections built in Australia

D) has increased efficiency from new engine technology

E) results from a partnership of about a dozen companies

Answer: D

Diff: 2

Topic: Global company profile

Objective: no LO

- 3) Examples of response to the global environment include
- A) Boeing's worldwide sales and production
 - B) Benneton's flexibility in design, production, and distribution
 - C) a Chinese manufacturer, Haier, opening plants in the United States
 - D) Ford's partnerships with Volvo and Mazda
 - E) all of the above

Answer: E

Diff: 1

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

- 4) Which of the following is an example of globalization of operations strategy?
- A) Boeing's Dreamliner has engines with higher fuel/payload efficiency.
 - B) Ford's new auto models have dent-resistant panels.
 - C) A Chinese manufacturer, Haier, now operates plants in the United States.
 - D) Hard Rock Café provides an "experience differentiation" at its restaurants.
 - E) All of the above are examples.

Answer: C

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

- 5) Cost cutting in international operations can take place because of
- A) lower taxes and tariffs
 - B) lower wage scales
 - C) lower indirect costs
 - D) less stringent regulations
 - E) all of the above

Answer: E

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

- 6) Which of the following did the authors not suggest as a reason for globalizing operations?
- A) reduce costs
 - B) improve the supply chain
 - C) stockholder approval ratings
 - D) understand markets
 - E) None of the above were suggested.

Answer: C

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

7) Multinational organizations can shop from country to country and cut costs through

- A) lower wage scales
- B) lower indirect costs
- C) less stringent regulations
- D) lower taxes and tariffs
- E) all of the above

Answer: E

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

8) The term maquiladora is most synonymous with

- A) free trade zones in Mexico
- B) Chinese forced labor camps
- C) home-based or cottage industry
- D) areas that do not meet U.S. standards for workplace safety and pollution
- E) none of the above

Answer: A

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

9) Which of the following is true of maquiladoras?

- A) They discourage foreign businesses from outsourcing.
- B) They assess tariffs only on the value-added work done.
- C) They originated in China.
- D) none of the above
- E) all of the above

Answer: B

Diff: 2

Topic: A global view of operations

Objective: no LO

10) Which of the following represent reasons for globalizing operations?

- A) to gain improvements in the supply chain
- B) to improve operations
- C) to expand a product's life cycle
- D) to attract and retain global talent
- E) all of the above

Answer: E

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

11) Which of the following does not represent a reason for globalizing operations?

- A) reduce costs
- B) improve the supply chain
- C) reduce responsiveness
- D) attract and retain global talent
- E) None of the above are valid reasons for globalizing operations.

Answer: C

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: LO2-5

12) NAFTA seeks to

- A) substitute cheap labor in Mexico for expensive labor in the United States
- B) curb illegal immigration from Mexico to the United States
- C) phase out all trade and tariff barriers between North America and South America
- D) phase out all trade and tariff barriers between the United States, Canada, and Mexico
- E) All of the above are NAFTA goals.

Answer: D

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

13) With reference to cultural and ethical issues, the World Trade Organization has

- A) succeeded in providing equal protection of intellectual property among nations
- B) made progress in providing equal protection of intellectual property among nations
- C) phased out all trade and tariff barriers between the United States and Mexico
- D) eliminated slave labor and child labor
- E) played little role in addressing cultural and ethical issues among nations

Answer: B

Diff: 3

Topic: A global view of operations

AACSB: Ethical Reasoning

Objective: no LO

14) Which of the following is true about business strategies?

- A) An organization should stick with its strategy for the life of the business.
- B) All firms within an industry will adopt the same strategy.
- C) Well defined missions make strategy development much easier.
- D) Strategies are formulated independently of SWOT analysis.
- E) Organizational strategies depend on operations strategies.

Answer: C

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

15) Which of the following activities takes place most immediately once the mission has been developed?

- A) The firm develops alternative or back-up missions in case the original mission fails.
- B) The functional areas develop their functional area strategies.
- C) The functional areas develop their supporting missions.
- D) The ten OM decision areas are prioritized.
- E) Operational tactics are developed.

Answer: C

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

16) Which of the following statements about organizational missions is **false**?

- A) They reflect a company's purpose.
- B) They indicate what a company intends to contribute to society.
- C) They are formulated after strategies are known.
- D) They define a company's reason for existence.
- E) They provide guidance for functional area missions.

Answer: C

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

17) What term describes how an organization expects to achieve its missions and goals?

- A) conditional expectation
- B) tactic
- C) SWOT
- D) strategy
- E) competitive advantage

Answer: D

Diff: 1

Topic: Developing missions and strategies

Objective: LO2-1

18) The fundamental purpose of an organization's mission statement is to

- A) create a good human relations climate in the organization
- B) define the organization's purpose in society
- C) define the operational structure of the organization
- D) generate good public relations for the organization
- E) define the functional areas required by the organization

Answer: B

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

19) Which of the following is **true**?

- A) Corporate mission is shaped by functional strategies.
- B) Corporate strategy is shaped by functional strategies.
- C) Functional strategies are shaped by corporate strategy.
- D) External conditions are shaped by corporate mission.
- E) Functional area missions are merged to become the organizational mission.

Answer: C

Diff: 3

Topic: Developing missions and strategies

Objective: LO2-1

20) Which of the international operations strategies involves a focus on high cost reductions and low local responsiveness?

- A) international strategy
- B) global strategy
- C) transnational strategy
- D) multidomestic strategy
- E) none of the above

Answer: B

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

21) Which of the following is least likely to be a Cost Leadership competitive advantage?

- A) low overhead
- B) effective capacity use
- C) inventory management
- D) broad product line
- E) mass production

Answer: D

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

22) According to the authors, which of the following strategic concepts allow firms to achieve their missions?

- A) productivity, efficiency, and quality leadership
- B) differentiation, cost leadership, and quick response
- C) differentiation, quality leadership, and quick response
- D) distinctive competency, cost leadership, and experience
- E) differentiation, distinctive competency, quality leadership, and capacity

Answer: B

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

23) A firm can effectively use its operations function to yield competitive advantage through all of the following except

- A) customization of the product
- B) setting equipment utilization goals below the industry average
- C) speed of delivery
- D) constant innovation of new products
- E) maintaining a variety of product options

Answer: B

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

24) Which of the following has progressed the furthest along its product life cycle?

- A) drive-thru restaurants
- B) Boeing 787
- C) iPods
- D) Twitter
- E) Xbox 360

Answer: A

Diff: 2

Topic: Issues in operations strategy

Objective: no LO

25) The ability of an organization to produce goods or services that have some uniqueness in their characteristics is

- A) mass production
- B) time-based competition
- C) competing on productivity
- D) competing on flexibility
- E) competing on differentiation

Answer: E

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

26) Which of the international operations strategies involves a focus on low cost reductions and high local responsiveness?

- A) international strategy
- B) global strategy
- C) transnational strategy
- D) multidomestic strategy
- E) none of the above

Answer: D

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

- 27) A strategy is a(n)
- A) set of opportunities in the marketplace
 - B) broad statement of purpose
 - C) simulation used to test various product line options
 - D) plan for cost reduction
 - E) action plan to achieve the mission

Answer: E

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

- 28) Which of the following statements best characterizes delivery reliability?

- A) a company that always delivers on the same day of the week
- B) a company that always delivers at the promised time
- C) a company that delivers more frequently than its competitors
- D) a company that delivers faster than its competitors
- E) a company that has a computerized delivery scheduling system

Answer: B

Diff: 3

Topic: Achieving competitive advantage through operations

Objective: LO2-2

- 29) Which of the following is an example of competing on the basis of differentiation?

- A) A firm manufactures its product with less raw material waste than its competitors do.
- B) A firm's products are introduced into the market faster than its competitors' products are.
- C) A firm's distribution network routinely delivers its product on time.
- D) A firm offers more reliable products than its competitors do.
- E) A firm advertises more than its competitors do.

Answer: D

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

- 30) The ability of an organization to produce services that, by utilizing the consumer's five senses, have some uniqueness in their characteristics is

- A) mass production
- B) time-based competition
- C) differentiation
- D) flexible response
- E) experience differentiation

Answer: E

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

31) Which of the following best describes "experience differentiation"?

- A) immerses consumers in the delivery of a service
- B) uses people's five senses to enhance the service
- C) complements physical elements with visual and sound elements
- D) consumers may become active participants in the product or service
- E) All of the above are elements of experience differentiation.

Answer: E

Diff: 1

Topic: Achieving competitive advantage through operations

Objective: LO2-2

32) Experience Differentiation

- A) isolates the consumer from the delivery of a service
- B) is an extension of product differentiation in the service sector
- C) uses only the consumer's senses of vision and sound
- D) keeps consumers from becoming active participants in the service
- E) is the same as product differentiation, but applied in the service sector

Answer: B

Diff: 1

Topic: Achieving competitive advantage through operations

Objective: LO2-2

33) Which of the following is the best example of competing on low-cost leadership?

- A) A firm produces its product with less raw material waste than its competitors.
- B) A firm offers more reliable products than its competitors.
- C) A firm's products are introduced into the market faster than its competitors' products.
- D) A firm's research and development department generates many ideas for new products.
- E) A firm advertises more than its competitors.

Answer: A

Diff: 3

Topic: Achieving competitive advantage through operations

Objective: LO2-2

34) Franz Colruyt has achieved low-cost leadership through

- A) Spartan headquarters
- B) absence of voice mail
- C) low-cost facilities
- D) no background music
- E) all of the above

Answer: E

Diff: 1

Topic: Achieving competitive advantage through operations

Objective: LO2-2

- 35) Franz Colruyt has achieved low-cost leadership through
- A) effective use of voice mail
 - B) plastic, not paper, shopping bags
 - C) background music that subtly encourages shoppers to buy more
 - D) converting factories, garages, and theaters into retail outlets
 - E) exclusive use of the Euro

Answer: D

Diff: 1

Topic: Achieving competitive advantage through operations

Objective: LO2-2

- 36) Which of the following is an example of competing on quick response?
- A) A firm produces its product with less raw material waste than its competitors.
 - B) A firm offers more reliable products than its competitors.
 - C) A firm's products are introduced into the market faster than its competitors' products.
 - D) A firm utilizes its capacity more effectively than its competitors.
 - E) A firm advertises more than its competitors.

Answer: C

Diff: 3

Topic: Achieving competitive advantage through operations

Objective: LO2-2

- 37) A firm producing a good is more likely to have which set of the following characteristics compared to a firm providing a service?

- A) many subjective quality standards, tangible product, and locate away from customers
- B) many subjective quality standards, intangible product, and locate away from customers
- C) many objective quality standards, tangible product, and locate near customers
- D) many objective quality standards, tangible product, and locate away from customers
- E) many objective quality standards, intangible product, and locate away from customers

Answer: D

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

- 38) Which of the following influences layout design?

- A) inventory requirements
- B) capacity needs
- C) personnel levels
- D) technology decisions
- E) All of the above influence layout decisions.

Answer: E

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

39) Response-based competitive advantage can be

- A) flexible response
- B) reliable response
- C) quick response
- D) all of the above
- E) none of the above

Answer: D

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

40) Which of the following is **not** an operations strategic decision?

- A) maintenance
- B) price
- C) layout design
- D) quality
- E) inventory

Answer: B

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

41) Which of the following OM strategic decisions pertains to sensible location of processes and materials in relation to each other?

- A) layout design
- B) goods and service design
- C) supply-chain management
- D) inventory
- E) scheduling

Answer: A

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

42) Which of these companies is most apt to have quality standards that are relatively subjective?

- A) Chrysler
- B) Dell Computer
- C) Sanyo Electronics
- D) Harvard University
- E) Whirlpool

Answer: D

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

43) Which of the following will more likely locate near their customers?

- A) an automobile manufacturer
- B) an aluminum manufacturer
- C) an insurance company headquarters
- D) a medical clinic
- E) All of the above will tend to locate near their customers.

Answer: D

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

44) Which of the following statements concerning the operations management decision is relevant to services?

- A) There are many objective quality standards.
- B) The customer is not involved in most of the process.
- C) The work force's technical skills are very important.
- D) Labor standards vary depending on customer requirements.
- E) Ability to inventory may allow the leveling of the output rates.

Answer: D

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

45) Which of these organizations is likely to have the most important inventory decisions?

- A) a marketing research firm
- B) a lobbying agency
- C) a management consulting firm
- D) an aluminum manufacturer
- E) a law firm

Answer: D

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

46) Before establishing and implementing strategy, a resources view would ensure that which of the following resources are available:

- A) financial
- B) physical
- C) human
- D) technological
- E) all of the above

Answer: E

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

47) Porter's Five Forces Model is used to evaluate competition based on which 5 aspects?

- A) research and development, cost, legal regulations, suppliers, customers
- B) immediate rivals, potential entrants, customers, suppliers, and substitute products
- C) potential entrants, customers, suppliers, legal regulations, and cost
- D) immediate rivals, potential entrants, cost, substitute products, and legal regulations
- E) none of the above

Answer: B

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

48) Porter's Five Forces Model contains which of the following?

- A) immediate rivals
- B) potential entrants
- C) customers
- D) suppliers
- E) all of the Above

Answer: E

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

49) Value-chain analysis is used to identify activities that represent, or can develop into, the core competencies of a business. Who introduced this concept?

- A) Ford
- B) Toyota
- C) Porter
- D) Smith
- E) None of the above

Answer: C

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

50) Value-chain analysis can be used to determine if a business is adding unique value in which of the following areas?

- A) product research
- B) human resources
- C) process innovation
- D) quality management
- E) all of the above

Answer: E

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

51) Which of the following is not part of value-chain analysis?

- A) product research
- B) quality management
- C) supply-chain management
- D) marketing
- E) human resources

Answer: D

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

52) Which of the following environmental factors has not been a factor in Microsoft's changing strategy?

- A) Google
- B) security issues
- C) faster processors
- D) the Internet
- E) none of the above

Answer: E

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

53) Standardization is an appropriate strategy in which stage of the product life cycle?

- A) introduction
- B) growth
- C) maturity
- D) decline
- E) retirement

Answer: C

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

54) Cost minimization is an appropriate strategy in which stage of the product life cycle?

- A) introduction
- B) growth
- C) adolescence
- D) decline
- E) retirement

Answer: D

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

55) Which of the following OM Strategy/Issues should a firm with a product in the maturity stage of its life cycle be least concerned with at the present time?

- A) increase capacity
- B) long production runs
- C) standardization
- D) cost cutting
- E) fewer rapid product changes

Answer: A

Diff: 2

Topic: Issues in operations strategy

Objective: no LO

56) Which of the following is least likely to result in a strategy change?

- A) change in the company's financial situation
- B) a company's adoption of new technology
- C) change in the product life cycle
- D) change in the competitive environment
- E) change in job scheduling techniques

Answer: E

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

57) Which of the following statements is most correct?

- A) KSFs are often necessary, but not sufficient for competitive advantage.
- B) KSFs are often sufficient, but not necessary for competitive advantage.
- C) KSFs are neither necessary nor sufficient for competitive advantage.
- D) KSFs are both necessary and sufficient for competitive advantage.
- E) None of the above statements is correct.

Answer: A

Diff: 3

Topic: Strategy development and implementation

Objective: LO2-4

58) Given the position of the iPod in the growth stage of its life cycle, which of the following OM Strategy/Issues should the makers of iPods be least concerned with at the current time?

- A) forecasting
- B) cost cutting
- C) increasing capacity
- D) product and process reliability
- E) enhancing distribution

Answer: B

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

59) Which of these organizations is likely to have the most complex inventory decisions?

- A) a marketing research firm
- B) a stock brokerage firm
- C) a management consulting firm
- D) a computer manufacturing company
- E) a high school

Answer: D

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

60) The three steps of the operations manager's job, in order, are:

- A) develop the strategy, establish the organizational structure, find the right staff
- B) develop the strategy, find the right staff, establish the organizational structure
- C) find the right staff, establish the organizational structure, develop the strategy
- D) find the right staff, develop the strategy, establish the organizational structure
- E) establish the organizational structure, find the right staff, develop the strategy

Answer: A

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

61) When developing the operations strategy for a new manufacturing organization, one of the most important considerations is that it

- A) requires minimal capital investment
- B) utilizes as much automation as possible
- C) utilizes an equal balance of labor and automation
- D) supports the overall competitive strategy of the company
- E) none of the above

Answer: D

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

62) Which of the international operations strategies involves high cost reductions and high local responsiveness?

- A) international strategy
- B) global strategy
- C) transnational strategy
- D) multidomestic strategy
- E) none of the above

Answer: C

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

63) Which of the international operations strategies involves low cost reductions and low local responsiveness?

- A) international strategy
- B) global strategy
- C) transnational strategy
- D) multidomestic strategy
- E) none of the above

Answer: A

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

64) Which of the international operations strategies uses import/export or licensing of existing products?

- A) international strategy
- B) global strategy
- C) transnational strategy
- D) multidomestic strategy
- E) none of the above

Answer: A

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

65) Which of the international operations strategies uses the existing domestic model globally?

- A) international strategy
- B) global strategy
- C) transnational strategy
- D) multidomestic strategy
- E) none of the above

Answer: D

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

- 66) The acronym **MNC** stands for
- A) Mexican National Committee (for international trade)
 - B) Maquiladora Negates Competition
 - C) Maytag-Nestlé Corporation
 - D) Multinational Corporation
 - E) none of the above

Answer: D

Diff: 1

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

- 67) Caterpillar and Texas Instruments are two firms that have benefited from the use of
- A) the multidomestic strategy option.
 - B) the multinational corporation strategy.
 - C) the transnational strategy option.
 - D) the maquiladora system in Europe.
 - E) the global strategy option.

Answer: E

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

- 68) Which of the following are examples of transnational firms?

- A) Nestlé
- B) Asea Brown Boveri
- C) Reuters
- D) Citicorp
- E) All of the above are transnationals.

Answer: E

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

Short Answer

- 1) Boeing found its Dreamliner 787 partners in _____ countries.

Answer: over a dozen

Diff: 1

Topic: Global company profile

AACSB: Multicultural and Diversity

Objective: no LO

2) _____ are areas located along the U.S.-Mexico border in which factories receive preferential tariff treatment.

Answer: Maquiladoras

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

3) _____ is a free trade agreement among Canada, Mexico, and the United States.

Answer: NAFTA--North American Free Trade Agreement

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

4) _____ and _____ are two issues where significant cultural differences are large and progress toward global uniformity has been slow.

Answer: Bribery, protection of intellectual property

Diff: 1

Topic: Global company profile

AACSB: Ethical Reasoning

Objective: no LO

5) An organization that has worked to achieve global uniformity in cultural and ethical issues such as bribery, child labor, and environmental regulations is _____.

Answer: the World Trade Organization

Diff: 1

Topic: Global company profile

AACSB: Ethical Reasoning

Objective: no LO

6) In goods-producing organizations, _____, _____, and _____ may be inventoried.

Answer: raw materials, work-in-process, finished goods

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

7) Strategy is not static, but dynamic because of changes in the _____ and _____.

Answer: organization, environment

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-1

8) _____ is the stage in product life cycle at which it is a poor time to change quality.

Answer: Maturity

Diff: 2

Topic: Issues in operations strategy

Objective: LO2-4

9) The _____ is how an organization expects to achieve its missions and goals.

Answer: strategy

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

10) The creation of a unique advantage over competitors is called a _____.

Answer: competitive advantage

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

11) Service organizations can immerse the consumer in the service, or have the consumer become a participant in the service, as they practice _____.

Answer: experience differentiation

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

12) Competitive advantage in operations can be achieved by _____, _____, and/or _____.

Answer: differentiation, low cost, response

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

13) A(n) _____ is a firm that has extensive involvement in international business, owning or controlling facilities in more than one country.

Answer: MNC--multinational corporation

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

14) The _____ strategy utilizes a standardized product across countries.

Answer: global

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

15) The _____ strategy uses exports and licenses to penetrate globally.

Answer: international

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

16) The _____ strategy uses subsidiaries, franchises, or joint ventures with substantial independence.

Answer: multidomestic

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

17) The _____ strategy describes a condition in which material, people, and ideas cross or transgress national boundaries.

Answer: transnational

Diff: 2

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

18) Identify five countries from which Boeing's 787 Dreamliner has suppliers.

Answer: France, Germany, UK, Italy, Japan, China, South Korea, Sweden, U.S.

Diff: 1

Topic: Global company profile

AACSB: Multicultural and Diversity

Objective: no LO

19) Identify five parts which Boeing's 787 Dreamliner gets from global suppliers; match each part with the country that supplies it.

Answer: France—landing gear, Germany—interior lighting, UK—fuel pumps or electronics, Italy—part of fuselage or horizontal stabilizer, Japan—wing box or hydraulic actuators, China—rudder or general parts, South Korea—wingtips, Sweden—cargo and access doors, U.S.—GE engines

Diff: 2

Topic: Global company profile

AACSB: Multicultural and Diversity

Objective: no LO

20) How can global operations improve the supply chain?

Answer: The supply chain can often be improved by locating facilities in countries where unique resources exist.

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

21) How do global operations attract new markets?

Answer: Since international operations require local interaction with customers, suppliers, and other competitive businesses, international firms inevitably learn about unique opportunities for new products and services.

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

22) State two examples of cultural and ethical issues that face operations managers in a global environment.

Answer: Student responses will vary, but there are several issues on which there are wide differences from country to country, culture to culture. Among those listed in the text are bribery, child labor, slave labor, and intellectual property rights. Students may bring forward from an earlier chapter issues such as environmental regulation or safe work environment, and may raise issues such as product safety.

Diff: 2

Topic: A global view of operations

AACSB: Ethical Reasoning

Objective: no LO

23) What is the difference between a firm's mission and its strategy?

Answer: A firm's mission is its purpose or rationale for an organization's existence, whereas a firm's strategy is how it expects to achieve its mission and goals.

Diff: 2

Topic: Developing missions and strategies

Objective: LO2-1

24) Since the early 1990s, residents in a number of developing countries have overcome culture, religious, ethnic, and political productivity barriers. These disappearing barriers coupled with simultaneous advances in technology, reliable shipping, and cheap communication have all led to the growth of what three things?

Answer:

1. World trade.
2. Global capital markets.
3. International movement of people.

Diff: 2

Topic: A global view of operations

AACSB: Multicultural and Diversity

Objective: no LO

25) Provide an example of an organization that achieves competitive advantage through experience differentiation. Explain.

Answer: Answers will vary, but Disney and Hard Rock Café are illustrated in the text. Competing on experience differentiation implies providing uniqueness to your service offering through immersion of the consumer into the service, with visual or sound elements to turn the service into an experience.

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

26) With regard to the scheduling decision, how are goods-producing organizations different from service companies? Discuss.

Answer: Goods-producing companies: the ability to inventory may allow leveling the output rates; service companies: primarily concerned with meeting the customer's immediate schedule.

Diff: 3

Topic: Ten strategic OM decisions

Objective: LO2-3

27) How do goods and services differ with regard to handling the quality decision?

Answer: There are many objective quality standards for goods, whereas there are many subjective quality standards for services.

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

28) What is the difference between goods and services in terms of their location selection?

Answer: Manufacturers of goods may need to be located close to raw materials, or labor force. Services, on the other hand, typically are located close to the customer.

Diff: 2

Topic: Ten strategic OM decisions

Objective: LO2-3

29) How has Franz Colruyt achieved low-cost leadership? List three specific examples and describe each briefly.

Answer: Several methods are listed in the text. Among these are no shopping bags, dim lighting, no voice mail, conversion of older buildings, Spartan offices.

Diff: 2

Topic: Achieving competitive advantage through operations

Objective: LO2-2

30) Define *core competencies*.

Answer: A set of skills, talents, and activities that a firm does particularly well.

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

31) For what type of organization might the location decision area be the least important of its ten decision areas? For what type of organization might the location decision be the most important of the ten decision areas? Discuss; augment your response with examples.

Answer: The relationship between the organization and its suppliers or its customers is key. If that relationship is very weak (as in no transportation costs, or customers can reach the firm from any location), location diminishes in importance. If that relationship is strong (uniqueness of site, high transportation costs, customers will not travel far) location increases in importance. "Least" examples: Telemarketing firm, tax help-line, Internet sales. "Most" examples: gold mine, oil well, ski resort.

Diff: 3

Topic: Ten strategic OM decisions

AACSB: Reflective Thinking

Objective: LO2-3

32) What is SWOT analysis? List its four elements and describe its purpose.

Answer: The four elements of SWOT are strengths, weaknesses, opportunities, and threats. Its purpose is to maximize opportunities and minimize threats in the environment, while maximizing the advantages of the organization's strengths and minimizing the weaknesses.

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-1

33) Are strategies static or dynamic? What are the forces that lead to this result?

Answer: Strategies should be dynamic because of changes within the organization and changes in the environment.

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-1

34) Identify and explain the four basic global operations strategies. Give an example of each strategy.

Answer: The multidomestic strategy decentralizes operating decisions to each country to enhance local responsiveness. The primary example from the textbook is McDonald's. The global strategy centralizes operating decisions, with headquarters coordinating the standardization and learning between facilities. The textbook names Texas Instruments and Caterpillar. The international strategy uses exports and licenses to penetrate the global markets. Students may cite Pier One, World Market, or any wine store. The transnational strategy exploits the economies of scale and learning, as well as pressure for responsiveness, by recognizing that core competence does not reside in just the "home" country, but can exist anywhere in the organization. Examples from the textbook include Bertelsmann, Reuters and Nestlé.

Diff: 3

Topic: Global operations strategy options

AACSB: Multicultural and Diversity

Objective: LO2-5

Essay

1) Nike is the world's largest athletic brand. Its innovative and broad product line helps drive sales, however a large majority of those sales are in the footwear business. Most of Nike's goods are produced overseas in low-cost factories and then imported to the final market. Nike currently has many of the top U.S. athletes under contract (Michael Jordon, Tiger Woods, Dwayne Wade) but international sales are still small in emerging markets. However, many competitors have attempted to copy Nike's business model (high-value branded products manufactured at low-cost), including Adidas and Reebok, while many retailers have attempted to pass on the low-cost pressure of retail consumers. Perform a SWOT analysis for Nike.

Answer:

Strengths- Innovative products, athletes under contract

Weakness- Much of revenue is from footwear, eroding market share could cost Nike its profitability

Opportunities- Sales can be increased in emerging markets using well-known athletes, broad product line can be expanded into high profit sectors (jewelry, sunglasses, golf, etc)

Threats- International business makes Nike vulnerable to currency changes, low-cost pressure from retailers can decrease profit per item, competition could erode existing market share.

Athletes' personal lives could weaken Nike's reputation.

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

2) Starbucks is one of the best known coffeehouse chains in the world. Each store sells a variety of innovative products to complement the array of coffee choices available. However, 75% of current stores are located in the United States and the expensive nature of the coffee leaves Starbucks vulnerable to changes in consumer spending behavior (such as recessions). Recently Starbucks has begun initiatives to sell its specialty coffee beans for home use, presenting a chance for a large increase in revenue and diversification. However, Starbucks faces fierce competition seeking a piece of its lucrative market share and the threat of consumer behavior changes, given its reputation rides on a singular product. Perform a SWOT analysis for Starbucks.

Answer:

Strengths- High profit specialty coffee, well known brand image

Weakness- Most stores located in U.S., most profits come from coffee (both are lack of diversification)

Opportunities- Emerging market in coffee beans for home use, chance for global expansion

Threats- Intense competition, consumer behavior changes (less spending during a recession on its luxury coffee, change in beverage preferences)

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

3) Perform a SWOT analysis of Boeing's 787 Dreamliner using the information presented within the text.

Answer:

Strengths- Technological advances (8% increase in fuel efficiency, electronic maintenance monitoring)

Weaknesses- Diverse suppliers and assembly locations leave Boeing vulnerable to currency exchange rates and make quality control difficult

Opportunities- one of fastest-selling commercial jets ever gives Boeing a chance to increase market share, Boeing can parlay its use of diverse supplier locations into diversifying customer base

Threats- competition from Airbus, divestment of the manufacture process risks losing company trade secrets (competitive advantage)

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

4) Perform a SWOT analysis of Hard Rock Café, using the information presented within Chapters 1 and 2 of the text.

Answer:

Strengths- Hard Rock's unique coupling of an experience with its menu gives it a competitive advantage, diverse portfolio of stores in 40 countries lowers risk

Weaknesses-Hard Rock is known exclusively for its "experience", this one-dimensional competitive advantage presents high risk

Opportunities- New "experience" types at restaurants (Blues, Hip-Hop, etc themes), addition of new stores to the existing 120+ stores

Threats- Hard Rock's exclusive Rock 'n' Roll theme leaves it vulnerable to changes in consumer music preferences, competition in the restaurant business is very tough

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4

5) Perform a SWOT analysis for Franz Colruyt, using the information presented within the text.

Answer:

Strengths- High profit margin of 6.5% from its extreme low-cost competitive advantage

Weaknesses- Lack of bagging, in-store music, dim lighting, and lack of aesthetic in-store appeal all limit potential customer base.

Opportunities- Franz Colruyt only operates 160 stores so there is opportunity for global expansion

Threats- High profit margin might encourage competition to copy Franz Colruyt's low-cost competitive advantage, eroding it. Changes in consumer behavior (increased prosperity) might decrease customers interested in only a low-cost alternative.

Diff: 2

Topic: Strategy development and implementation

Objective: LO2-4