File: ch02, Chapter 2: Supply Chain Strategy

Multiple Choice

1. SCM competitive advantage can be derived from two primary areas:
a) Cost and value
b) Suppliers and customers
c) Productivity and sustainability
d) Logistics and marketing
e) Responsiveness and relationship management

Ans: a
Response: page 37
Level: Easy

2. A product's cost advantage may include the following:
a) High service
b) Customization
c) Reputation
d) Sustainability
e) None of the above

Ans: e
Response: page 37
Level: Medium

3. Ways that companies can gain a value advantage include:
a) Value-segmenting
b) Supplier relationship management
c) Service and support
d) Lowest cost
e) a and c
g
Ans: a
Response: page 38
Level: Medium

4. The experience curve describes the relationship between:
a) Value and experience
b) Volume and experience
c) Service levels and experience
d) Costs and experience

e) Innovation and experience

Ans: d
Response: page 37
Level: Medium

5. Building blocks of SCM strategy include:
a) Operations
b) Distribution
c) Sourcing
d) Customer service
e) All of the above

Ans: e
Response: page 41
Level: Easy

6. Operations *strategy* focuses primarily on:
a) Improved coordination between supply chain partners
b) Reducing inventory across the supply chain
c) How goods and services will be produced
d) Segmenting customers/markets
e) All of the above

Ans: c
Response: page 41
Level: Difficult

7. Customers' ability to customize products reflects which operations strategy
a) Make-to-order
b) Assemble-to-order
c) Make-to-stock
d) Reverse logistics
e) None of the above

Ans: a
Response: page 42
Level: Medium

8. The most effective strategy for companies that produce standardized, commodity products is:
a) Make-to-order

b) Assemble-to-order
c) Make-to-stock
d) Reverse logistics
e) Customer service

Ans: c
Response: page 42
Level: Medium

9. The most effective strategy when there are many variations of the end product is:
a) Make-to-order
b) Assemble-to-order
c) Make-to-stock
d) Adaptability
e) None of the above

Ans: b
Response: page 42
Level: Medium

10. Distribution strategy involves decisions about:
a) Supplier selection
b) Product development
c) Transportation modes
d) How to get products to customers
e) a and b

Ans: d
Response: page 44
Level: Medium

11. In defining a distribution strategy, a company must consider the importance of channel intermediaries including:
a) Suppliers and manufacturers
b) Suppliers and customers
c) Retailers and distributors
d) Distributors and suppliers
e) None of the above

Ans: c
Response: page 44
Level: Difficult

12. The outsourcing decision relates to which building block of SCM strategy:
a) Operations
b) Distribution
c) Sourcing
d) Logistics
e) Customer service

Ans: c
Response: page 45
Level: Easy

13. An outsourcing strategy can result in the following:
a) Ability to respond quickly to demand changes
b) Gain a competitive advantage
c) Eliminate risk
d) Loss of flexibility
e) a and b

Ans: e
Response: page 45-46
Level: Medium

14. Risks to a company that can result from outsourcing include:
a) Customers demanding higher quality and better service
b) Loss of control over a product or process
c) Increasing technological capabilities
d) Lower costs
e) a and b

Ans: b
Response: page 47
Level: Easy

15. Benefits to a company that can result from outsourcing include:
a) Accessing new markets/customers
b) Lower costs
c) Decreased flexibility
d) Decreased demand
e) a and b

Ans: e

Response: page 46
Level: Easy

16. When defining a customer service strategy, companies should first:
a) Outsource non-core competencies
b) Define the sales volume and profits in each market segment
c) Improve relationship management processes
d) Pressure suppliers for lower costs and better service
e) None of the above

Ans: b
Response: page 48
Level: Difficult

17. How a company competes in the marketplace is defined as:
a) Operations strategy
b) Market segmentation
c) Competitive priority
d) Alliance development
e) All of the above

Ans: c
Response: page 50
Level: Medium

18. Of the five priorities by which companies compete in the marketplace, which relates to having efficient, integrated operations:
a) Cost
b) Time
c) Logistics
d) Service
e) Market segmentation

Ans: a
Response: page 50
Level: Easy

19. Companies that compete primarily on innovation typically focus on two attributes:
a) Operations and logistics
b) Sourcing and operations

c) Quality and time
d) Speed and product design
e) Cost and time

Ans: d
Response: page 52
Level: Medium

20. Investing in and utilizing RFID tag technology typically fits with which competitive priority:
a) Time
b) Quality
c) Cost
d) Segmentation
e) a and b

Ans: b
Response: page 53
Level: Medium

21. Two concepts that companies must continually monitor when evaluating strategy are:
a) Regulation and compliance requirements
b) Inventory levels and costs
c) Time and quality
d) Order winners and order qualifiers
e) Innovation and quality

Ans: d
Response: page 54
Level: Easy

22. Adaptability, in terms of defining SCM strategy, relates to a company's ability to:
a) Continually locate the lowest cost supplier
b) Evolve and adapt as market conditions change
c) Increase capacity as demand increases
d) Outsource production
e) None of the above

Ans: b
Response: page 55
Level: Easy

23. Factors in today's business environment that require companies to have adaptable supply chains include:
a) Development of new technologies
b) Frequent changing to a company's business scope
c) Increase in outsourcing
d) Increasing working capital needs
e) a and b

Ans: e
Response: page 56
Level: Easy

24. A worker can produce 1000 units during an 8 hour shift, thus the productivity of that worker is:
a) 100 units/hour
b) 80 units/hour
c) 800 units/hour
d) 125 units/hour
e) None of the above

Ans: d
Response: page 57
Level: Easy

25. One of the key aspects that must be considered when interpreting productivity measures is:
   a) Benchmarking
   b) Collaboration
   c) Coordination
   d) Responsiveness
   e) None of the above

Ans: a
Response: page 58
Level: Medium

True/False

1. A business strategy is a company plan that defines short term goals and core competencies.

Ans: False
Response: page 35
Level: Easy

2. Supply chain strategy should closely link with and support a company's business strategy.

Ans: True
Response: page 35
Level: Easy

3. Competitive advantage, derived from supply chain management practices, can be the result of two primary areas: cost AND productivity.

Ans: False
Response: page 37
Level: Medium

4. Commodity products are typically bought by consumers because of the product's value.

Ans: False
Response: page 38
Level: Medium

5. A key area where companies are adding value to products is by focusing on service.

Ans: True
Response: page 38
Level: Easy

6. One building block of SCM strategy is alliance development.

Ans: False
Response: page 41
Level: Medium

7. Operations strategy involves decisions about which suppliers to utilize.

Ans: False
Response: page 41
Level: Medium

8. A made to stock operations strategy offers customers the ability to customize products.

Ans: False
Response: page 42
Level: Medium

9. An assemble to order operations strategy allows firms to lower inventory costs.

Ans: True
Response: page 42
Level: Medium

10. The make to order operations strategy typically requires longer customer lead times.

Ans: True
Response: page 42
Level: Difficult

11. All industries should strive to implement a make to order strategy because this strategy provides the highest level of customer service.

Ans: False
Response: page 43
Level: Difficult

12. Understanding a product's life cycle is important to defining an operations strategy.

Ans: True
Response: page 44
Level: Medium

13. Distribution strategy involves the decision to sell products directly to consumers or through channel intermediaries.

Ans: True
Response: page 44
Level: Medium

14. The same distribution strategy should be deployed to all markets because of cost savings.

Ans: False
Response: page 44
Level: Difficult

15. Sourcing strategy involves decisions about outsourcing.

Ans: True
Response: page 45
Level: Easy

16. Processes that are strategic differentiators for a company should be outsourced because they are typically the most expensive processes to manage.

Ans: False
Response: page 45
Level: Medium

17. Outsourcing can allow companies to respond to demand changes more quickly.

Ans: True
Response: page 45
Level: Easy

18. Outsourcing can provide many benefits but it also carries numerous risks that must be evaluated and managed.

Ans: True
Response: page 47
Level:Easy

19. As a company increases the scope of an outsourced process, the risk to the company decreases.

Ans: False
Response: page 47
Level: Difficult: Medium

20. Giving one supplier too much control creates a dependency risk for a company.

Ans: True
Response: page 47
Level: Easy

21. Customer service strategies should be developed based on market segmentation.

Ans: True
Response: page 48
Level: Easy

22. When designing a SCM strategy, mimicking a market leader always leads to success.

Ans: False
Response: page 50
Level: Easy

23. Successful companies are able to compete on all competitive priorities.

Ans: False
Response: page 54
Level: Easy

24. An order qualifier is an attribute that is a must-have for a company to compete in the marketplace.

Ans: True
Response: page 54
Level: Medium

25. Without substantial market influence, there are very few strategies for small firms to compete.

Ans: False
Response: page 55
Level: Medium

26. The ability to adapt strategies to a changing environment is the same for all industries.

Ans: False
Response: page 56
Level: Difficult

27. Evaluating SCM strategy is best done on an annual or bi-annual basis.

Ans: False
Response: page 56
Level: Easy

28. Productivity measures the utilizations of a company's resources.

Ans: True
Response: page 56
Level: Medium

29. For the month of August, the values of a company's outputs and inputs were $100,000 and $40,000 respectively, thus he total productivity measure would be 2.0

Ans: False
Response: page 57
Level: Easy

30. Productivity must be measured over time in order to provide a valuable measure of performance.

Ans: True
Response: page 58
Level: Easy

Essay

1. A company's SCM strategy should align with its business strategy. Provide an example of a business strategy and the SCM strategy that would support it.

Ans: Student should describe a business strategy such as low cost , fast delivery, innovation and provide examples of associated SCM strategies that would accompany that strategy.
Response: page 36
Level: Medium

2. Describe how SCM can provide both a cost and value advantage over competitors.

Ans: Cost advantages include reduced costs through product, distribution, coordination costs, and increased sales volume. Value advantages include identifying value segments in the market, quality, variety, and improvements in service.

Response: page 37-40
Level: Easy

3. List the five primary SCM competitive priorities and select one to describe in depth, including an example of how that priority is executed.

Ans: 1.) Cost – focuses on meeting efficiency-based metrics, product and process standardization – Wal-Mart; 2.)Time – deliver products in a short time; eliminate or combine processes to save time – FedEx; 3.) Innovation – develop 'must have' products, superior marketing, speed and product design – Nike; 4.) Quality – products and services are premium; known for consistency and reliability; TQM in all SCM processes – Mercedes; 5.) Service – tailor products and services to meet individual customer needs; generate strong customer loyalty; exceptional order fulfillment – Zappos.
Response: page 50-54
Level: Medium