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Chapter 02 Operations and Supply Chain Strategy Answer Key

Multiple-Choice Questions

1. At Disney, "Making People Happy" is an example of
A. operations mission.
B. corporate strategy.
C. business strategy.
D. operations strategy.

LO: 2.1
Topic: Operations Strategy Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Understand
Feedback: This is Disney's overarching strategic directive. Business and operations strategies would fall below this statement.

2. The four elements that form the heart of operations strategy include
A. mission, distinctive competence, objectives, and internal analysis.
B. mission, distinctive competence, internal analysis, and external analysis.
C. mission, objectives, internal analysis, and external analysis.
D. mission, distinctive competence, objectives, and strategic decisions.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Operations strategy is defined by these four subcategories (see Figure 2.1).

3. According to Michael Porter, the generic types of business strategies include
A. differentiation, low cost, focus.
B. high price, high quality, fast delivery.
C. focus, quality, imitation.
D. all of the above.

LO: 2.1
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Differentiation (unique or innovative), low cost (commodity markets), and focus (narrow or broad) are the three generic strategies.

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4. The four common objectives of operations are
A. quality, delivery, cost, and innovation.
B. quality, cost, flexibility, and agility.
C. quality, cost, delivery, and flexibility.
D. cost, quality, capacity, and flexibility.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Cost, quality, flexibility, and delivery (see Figure 2.1).

5. An example under the capacity area of strategic decisions in operations would be
A. centralized or decentralized warehouse.
B. one large or several small facilities.
C. handmade or machine-made.
D. high levels or low levels of inventory.

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Only B relates to capacity; the others relate to process or inventory decisions (see Table 2.2).

6. The operation objectives of quality, cost, delivery, and flexibility are
A. mutually exclusive.
B. independent of each other.
C. connected.
D. unique.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: All must be connected and in sync with each other for operations strategy to be effective.

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7. In the product imitator strategy, the order winner is _____ for the customer, whereas in the product innovator strategy, the order winner is _____.
A. flexibility, price
B. flexibility, quality
C. quality, price
D. price, flexibility

LO: 2.4
Topic: Cross-Functional Strategic Decisions
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: For the imitator strategy, the customer priority is price; it is flexibility for the innovator strategy.

8. Make or buy is an example of what type of strategic decision?
A. Inventory
B. Process
C. Quality
D. Capacity

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The decision to make versus buy is fundamental to the need for a production process.

9. Which of the following is NOT a characteristic of a global corporation?
A. Facilities and plants are located on a country-by-country basis.
B. Global product design and process technology are used.
C. Logistics and inventory control systems are global.
D. Divisions are organized to have global responsibility for the marketing, R&D, and operations functions.

LO: 2.6
Topic: Global Operations and Supply Chains
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Facilities and plants are located on a worldwide basis, not country by country.

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10. Another term used for operations objectives is
A. order winners.
B. order qualifiers.
C. competitive priorities.
D. distinctive competence.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Operations objectives are derived from the mission and higher-level strategies and are thus competitive priorities.

11. Strategic decisions are to be made for which of the following decision areas?
A. Quality, process, capacity, and inventory
B. Cost, quality, delivery, and flexibility
C. Mission, distinctive competence, objectives, and tactics
D. All of the above

LO: 2.2
Topic: Strategic Decisions
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Process, quality, capacity, and inventory are the basic set of strategic decisions (see Figure 2.1).

12. A decision has been made that suppliers will be chosen based on quality rather than cost. This is an example of which of the following?
A. Objective
B. Mission
C. Distinctive competence
D. Strategic decision

LO: 2.7
Topic: Supply Chain Strategy
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: This is an example of a strategic decision, most likely in support of a quality objective (see Table 2.4).

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13. Next year's goal is to fill 99% of all orders from stock. This is an example of which of the following?
A. Objective
B. Mission
C. Distinctive competence
D. Strategic decision

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Service level targets are delivery-related (see Table 2.1).

14. A company uses proprietary computer software to offer services that other companies have not been able to emulate. These services have enabled the company to enter new markets and have caused new organizational structures to be formed. This is an example of which of the following?
A. Objective
B. Mission
C. Distinctive competence
D. Strategic decision

LO: 2.5
Topic: Distinctive Competence
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The proprietary nature and resistance to emulation indicate the software is a distinctive competence.

15. Which operations objective does the author suggest as the basis for improvement in the other operations objectives?
A. Cost
B. Quality
C. Delivery
D. Flexibility

LO: 2.3
Topic: Operations Objectives
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Operations objectives are interrelated and improvement in quality often leads to improvement in other areas.

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16. Which of the following statements about operations objectives is NOT true?
A. Focusing attention on improving quality frequently results in lower costs.
B. Reducing costs often causes improvement in quality.
C. Each of the operations objectives can be improved nearly simultaneously.
D. Reducing the time necessary to produce and deliver a product will result in greater flexibility.

LO: 2.3
Topic: Operations Objectives
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The opposite of B is true—cost reductions typically affect quality levels negatively.

17. Which of the following is NOT a characteristic of a distinctive competence?
A. It could be based on human resources that are difficult to imitate.
B. It could be based on proprietary technology.
C. It cannot be copied easily.
D. All of the above are characteristics of a distinctive competence.

LO: 2.5
Topic: Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: All of these are characteristics of distinctive competence.

18. A global corporation has which of the following characteristics?
A. A separate subsidiary or division for each country where it does business
B. Demand based on a worldwide versus a local basis
C. Products designed for each individual marketplace
D. Both a and c

LO: 2.6
Topic: Global Operations and Supply Chains
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Only B is correct; A and C do not support a global view.

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19. Supply chain strategy focuses, in part, on
A. sourcing and logistics.
B. customers.
C. information flow.
D. all of the above.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Supply chain strategy considers customers, suppliers, sourcing, logistics, and the flow of information across the chain.

20. Which of the following statements concerning the relationship among corporate, business, and functional strategies is correct?
A. Functional strategies guide the development of corporate strategies, which guide the development of business strategies.
B. Business strategies guide the development of corporate strategies, which guide the development of functional strategies.
C. Corporate strategies guide the development of business strategies, which guide the development of functional strategies.
D. Corporate strategies guide the development of functional strategies, which guide the development of business strategies.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: The correct relationship is corporate strategy – business strategy – functional strategies (see Figure 2.1).

21. Which of the following statements concerning distinctive competence is NOT correct?
A. Distinctive competence should match the mission of operations.
B. Another name for distinctive competence is operations capability.
C. Distinctive competence must be supported across the entire business as a basis for competitive advantage.
D. The business strategy of a firm always emanates from the market and cannot be built over the firm's distinctive competence.

LO: 2.5
Topic: Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The business strategy may be market driven or driven by a distinctive competence.

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22. Which of the following statements concerning a firm's operations strategic decisions is NOT correct?
A. Strategic decisions should be established in a distinctly separate manner without regard to other functional disciplines within an organization.
B. Strategic decisions should be developed for each of the decision responsibilities of process, quality, capacity, and inventory.
C. Strategic decisions should indicate how operations objectives would be achieved.
D. Strategic decisions may call for difficult trade-offs or choices.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Strategic decisions must always be made in conjunction with decisions in other functions.

23. Which of the following statements concerning the development of operations functional mission, objectives, and strategies is correct?
A. Strategic operational choices such as make versus buy or handcrafted versus machine-made specify how operations objectives will be achieved.
B. Functional-level operations and strategies are determined prior to corporate objectives and strategies.
C. It is common for many different types of operations to use a common or similar set of business strategies.
D. Operations objectives represent a plan for achieving operations strategies.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: B, C, and D are incorrect (see Table 2.2).

24. Which of the following is NOT an example of an organization's distinctive competence?
A. Organizational knowledge that has been developed internally over time
B. Patented proprietary equipment and processes
C. The ERP (enterprise resource planning) software purchased from SAP
D. Human resource skills that cannot be easily learned

LO: 2.5
Topic: Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: SAP ERP software is generally available to any organization and is not a basis for distinctive competence.

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25. Which of the following statements about the development of operations function mission, objectives, and strategies is FALSE?
A. Operations objectives and strategies provide both short-term and long-term decision making focus and direction.
B. In the development of an operations strategy, it is essential that operations objectives of cost, quality, delivery dependability, and flexibility be all equally weighted due to their equal importance.
C. Examples of internal factors, which should be examined in the development of operations strategies, include product line considerations, the condition of existing equipment, and current facility capacities.
D. An organization's mission, distinctive competence, objectives, and strategic decisions compose the organization's strategy.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Rarely would objectives be equally weighted; most often they will be weighted according to the corporate and business strategies, and competitive situation.

26. Operations strategy is a
A. functional strategy.
B. business strategy.
C. divisional strategy.
D. corporate strategy.

LO: 2.1
Topic: Operations Strategy Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: Other functional strategies are required of marketing, finance, engineering, and so on.

27. The outcome of appropriately developing the operations strategy is
A. a business strategy that supports the operations strategy.
B. a set of decisions in synch with those of other functions.
C. a comprehensive internal and external analysis.
D. a clear distinctive competence.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: When functional strategies are in sync, a consistent pattern of decisions emerges.

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28. An ice cream manufacturer's use of energy-efficient and natural hydrocarbon (HC) freezers instead of commonly used hydroflurocarbon (HFC) freezers is an example of
A. corporate strategy.
B. business strategy.
C. operations strategy.
D. distinctive competence.

LO: 2.1
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: This is an example of a strategic decision, likely in support of a cost or environmental objective.

29. A decision to maintain higher inventory levels represents a focus on which operations objective?
A. Quality
B. Flexibility
C. Delivery
D. Cost

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Higher inventory levels usually enable higher service level (delivery) performance.

30. A retailer that invests extensively in customer service training is most likely pursuing which operations objective?
A. Flexibility
B. Deliver
C. Cost
D. Quality

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: For service operations, customer service training is an especially important aspect of quality.

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31. Which of the following is NOT a tactic for competing through flexible operations?
A. Reduce production time.
B. Select overseas suppliers.
C. Increase the variety of product/service options or features.
D. Add operations capacity.

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The selection of overseas suppliers is most likely a cost reduction decision.

32. Which of the following market conditions is best suited by a product innovator strategy?
A. Price sensitivity
B. Mature market
C. Product features sensitivity
D. High demand

LO: 2.4
Topic: Cross-Functional Strategic Decisions
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Customers of innovative products consider product features a primary requirement (see Table 2.3).

33. Which of the following operations strategic decisions does NOT support a product imitator strategy?
A. Develop world-class processes.
B. Invest in specialized automation.
C. Purposefully react slowly to changes.
D. Use economies of scope.

LO: 2.4
Topic: Cross-Functional Strategic Decisions
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The imitator strategy would call for economies of scale, while the innovative strategy calls for economies of scope.

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34. Which of these statements concerning business strategy is true?
A. Business strategy success relies on the creation of all-purpose operations that are best for all circumstances.
B. Not all functional strategies must support the business strategy, only marketing and finance.
C. Strong business strategies call for excellence across all four operations objectives.
D. Drastically different types of operations are needed to support different business strategies.

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Table 2.3 indicates that drastically different types of operations are required depending on the strategy.

35. Which of these statements concerning distinctive competence is true?
A. If a distinctive competence does not meet a customer need, it is worthless.
B. Learning and culture are not considered good opportunities for establishing distinctive competence.
C. If the firm selects the right operations objectives, there is no need to develop or maintain a distinctive competence.
D. The concept of distinctive competence is unique to operations strategy.

LO: 2.5
Topic: Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Distinctive competence must meet a customer need.

36. Which of the following is NOT an example of an operations distinctive competence?
A. The ability to make pints of ice cream with a solid chocolate core
B. The ability to make airplane wings out of composite materials
C. The ability of a chiropractic clinic to achieve a 99.5% customer approval rating
D. The ability to meet with doctors individually to introduce them to new products

LO: 2.5
Topic: Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: D most likely represents a marketing distinctive competence.

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37. Global corporations are likely to
A. design products and services to fit global tastes.
B. develop a global distinctive competence for operations.
C. standardize logistics and inventory control.
D. perform all of the above.

LO: 2.6
Topic: Global Operations and Supply Chains
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: All of these are common characteristics of companies with a global view.

38. Which of the following statements concerning supply chain strategy is NOT correct?
A. Supply chains are too complex to achieve sustainable competitive advantage for the entire supply chain.
B. Supply chain strategy applies from the ultimate customer back to the suppliers to your suppliers.
C. The capabilities of customers also factor into supply chain strategy.
D. All supply chain partners should be working toward the same mission and objectives.

LO: 2.7
Topic: Supply Chain Strategy
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Although supply chains can be complex, they are still a source of sustainable competitive advantage.

39. The two fundamental supply chain strategies are
A. low cost or high quality.
B. innovative or imitative.
C. economies of scale or economies of scope.
D. none of the above.

LO: 2.7
Topic: Supply Chain Strategy
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: These supply chain strategies mirror the operations strategies discussed earlier in the chapter.

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40. Firms competing in an emerging market prioritize which of these supply chain characteristics?
A. Efficiency
B. High inventory turnover
C. Lower capacity utilization
D. Low-cost production

LO: 2.3
Topic: Competing with Operations Objectives
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: An emerging market indicates a product innovator strategy, which calls for available capacity in order to meet customers' need for flexibility.

41. Which of the following would NOT be appropriate for the supply chain strategy of a manufacturer of a generic chicken soup?
A. Suppliers chosen for their ability to reliably deliver
B. Suppliers chosen for the excess capacity they maintain
C. Suppliers chosen on the basis of low cost
D. All of the above would be appropriate.

LO: 2.7
Topic: Supply Chain Strategy
Difficulty: 3 Hard
AACSB: Reflective thinking
Bloom's: Understand
Feedback: Generic chicken soup is an imitative product, so choosing suppliers with excess capacity would not be likely.

42. Which of the following should be the first step as operations embark on a sustainability initiative?
A. Work with suppliers to reduce input waste.
B. Focus on reducing energy consumption.
C. Measure the environmental impact of current operations.
D. None of the above.

LO: 2.8
Topic: Environment and Sustainable Operations
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: The first step that most companies take is to measure their environmental impact in all areas, then decide on next steps.

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43. Which of the following would NOT be examined in a sustainable operations initiative?
A. New product development
B. Packaging
C. Services
D. All of these would be examined.

LO: 2.8
Topic: Environment and Sustainable Operations
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback:

True/False Questions

44. McDonald's distinctive competence has changed over time from continuous improvement of the transformation system and brand to the unique service and supply chain transformation system.
FALSE

LO: 2.5
Topic: Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: McDonald's continues to be focused on its processes and brand, and has not shifted focus to creating a unique service.

45. A corporate strategy drives the business strategy, which in turn drives the operations strategy in an organization.
TRUE

LO: 2.2
Topic: Operations Strategic Model
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: See Figure 2.1.

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46. Business strategy can be derived from a firm's distinctive competence that is difficult for competitors to copy or imitate.
TRUE

LO: 2.2
Topic: Operations Strategy Model
Difficulty: 2 Moderate
AACSB: Reflective thinking
Bloom's: Understand
Feedback: The arrow between business strategy and operations strategy goes both ways, indicating that business strategy can be influenced by a distinctive competence.

47. Imitative products have low profit margins and predictable demand.
TRUE

LO: 2.4
Topic: Cross-Functional Strategic Decisions
Difficulty: 1 Easy
AACSB: Reflective thinking
Bloom's: Remember
Feedback: True, and innovative products have higher margins and less predictable demand (see Table 2.3).

Essay Questions

48. Think of an example of any manufacturing (e.g., 3M) or service (e.g., Southwest Airlines) firm. Briefly discuss in your own words the operations mission, order winner, order qualifiers, and distinctive competence of the chosen firm(s).

LO: 2.1, 2.4, 2.5
Topic: Operations Strategy Model, Cross-Functional Strategic Decisions, Distinctive Competence
Difficulty: 2 Moderate
AACSB: Reflective thinking, written communication
Bloom's: Understand
Feedback: See below.

Southwest Airlines
Operations mission: "The mission of Southwest Airlines is dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit." (adopted from southwestairlines.com)
Order winner: High quality of service provided (fewer customer complaints), low price per ticket.
Order qualifier: Safe and comfortable travel.
Distinctive competence: Quick turnaround times, point-to-point operations (no hub and spoke concept), single fleet of airplanes (using only Boeing 737 aircraft simplifies maintenance).

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49. What are five focused initiatives with which a company should start its sustainability journey?

LO: 2.8
Topic: Environment and Sustainable Operations
Difficulty: 2 Moderate
AACSB: Reflective thinking, written communication
Bloom's: Remember
Feedback: See below.

(1) Eliminate air, water, and landfill pollution.
(2) Reduce energy consumption.
(3) Measure and minimize transportation and total carbon footprint.
(4) Work with suppliers to use recyclable and biodegradable packaging.
(5) Incorporate product reuse, end-of-life return, and recycling.
(Refer to Section 2.7 of the text.)

50. How do operations strategic decisions differ for a product imitator strategy versus a product innovator strategy?

LO: 2.4
Topic: Cross-Functional Strategic Decisions
Difficulty: 2 Moderate
AACSB: Reflective thinking, written communication
Bloom's: Understand
Feedback: See below.

Superior processes versus superior products.
Dedicated automation versus flexible automation.
Slow reaction to changes versus fast reaction to changes.
Economies of scale versus economies of scope.
Workforce involvement versus use of new product development teams.
(Refer to Section 2.6 of the text.)

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