Test Bank for Operations Management 13th Stevenson

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Chapter 02 Test Bank – Static

1. An example of a strategic operations management decision is the choice of where to locate.

TRUE

Location decisions are strategic in nature.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Operations Strategy

2. An example of an operational operations management decision is inventory level management.

TRUE

Inventory management is an operational decision.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Operations Strategy

3. Government statistics are a good source of data about productivity trends in the service sector.

FALSE

The service sector is often omitted in government statistics.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

4. An example of a tactical operations management decision is determining employment levels.

TRUE

Staffing is an ongoing, tactical decision.

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Accessibility: Keyboard Navigation

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Operations Strategy

5. Productivity is defined as the ratio of output to input.

TRUE

Divide outputs by inputs to get productivity.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

6. Productivity is defined as the ratio of input to output.

FALSE

Productivity is the ratio of outputs to inputs.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

7. Competitiveness relates to the profitability of an organization in the marketplace.

FALSE

Competitiveness relates to how effectively an organization meets the wants and needs of customers relative to other organizations that offer similar goods or services.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 List several ways that business organizations compete.
Topic: Competitiveness

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8. If people would only work harder, productivity would increase.

FALSE

Working harder can actually reduce productivity in some cases.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

9. Tracking productivity measures over time enables managers to judge organizational performance and decide where improvements are needed.

TRUE

Productivity trends direct attention toward problems and opportunities.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

10. Productivity is directly related to the ability of an organization to compete.

TRUE

A more productive organization is a more competitive organization.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

11. A characteristic that was once an order winner may become an order qualifier.

TRUE

Order qualifiers and order winners are shaped by the environment.

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Accessibility: Keyboard Navigation

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Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

12. Outsourcing tends to improve quality but at the cost of lowered productivity.

FALSE

Outsourcing can lead to both quality and productivity improvements.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

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13. Productivity tends to be only a very minor factor in an organization's ability to compete.

FALSE

An organization's ability to compete is directly affected by its productivity.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

14. An organization that is twice as productive as its competitor will be twice as profitable.

FALSE

Productivity advantages don't necessarily translate into profitability advantages.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

15. National productivity is determined by averaging the productivity measures of various companies or industries.

FALSE

National productivity is determined by dividing inputs by outputs across a national economy; averaging industry measures would lead to a distorted estimate.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

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16. Wage and salary increases that are not accompanied by productivity increases tend to exert inflationary pressures on a nation's economy.

TRUE

True increases in standards of living come about through productivity improvements.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

17. Global competition really only applies to multinational organizations.

FALSE

Domestic-only organizations experience competition from organizations in other countries.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

18. A business that is rated highly by its customers for service quality will tend to be more profitable than a business that is rated poorly.

TRUE

Service quality is a powerful tool for improving profitability.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-01 List several ways that business organizations compete.
Topic: Competitiveness

19. Services often don't fit simple yield measurements.

TRUE

Comparing one service output to another is difficult to do accurately.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

20. A mission statement should provide a guide for the formulation of strategies for the organization.

TRUE

Strategy-making is constrained by the mission statement.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

21. The hierarchy and sequence of planning and decision making is: mission, organizational strategy, tactics, and operational decisions.

TRUE

Mission is at the highest level of the hierarchy, while operational decisions are at the lowest.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

22. Strategy includes both organizational and functional strategies.

TRUE

Organizational strategies shape functional strategies.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

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23. Organizational strategy should be determined without considering the realities of functional area strengths and weaknesses since they can be changed to meet our strategy.

FALSE

Functional strengths and weaknesses serve as the building blocks of organizational strategy.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

24. Mission statements should be as specific as possible regarding exactly how they will be accomplished.

FALSE

Mission statements are very long-term and should provide enough room to accommodate major changes in direction.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

25. Improving efficiency will guarantee a similar improvement in productivity.

FALSE

Efficiency is narrower than productivity.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

26. As long as we match a competitor on quality and price we will gain market share.

FALSE

We usually have to better a competitor to win market share.

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Accessibility: Keyboard Navigation
Blooms: Understand

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Difficulty: 1 Easy
Learning Objective: 02-02 Name several reasons that business organizations fail.
Topic: Competitiveness

27. Environmental scanning is a search for events or trends that present either threats or opportunities to the organization.

TRUE

These events or trends should be taken into account when strategy is being formulated.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

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28. Standardization has the advantage of reducing variability.

TRUE

Standardization leads to reduced variability.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

29. Traditional strategies of business organizations have tended to emphasize cost minimization or product differentiation.

TRUE

Time- and quality-based strategies are more recent developments.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-05 Describe and give examples of time-based strategies.
Topic: Operations Strategy

30. Tactics support established functional strategies.

TRUE

This represents the majority of ongoing decision making in operations.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

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31. Which of the following is least likely to affect the cost an organization incurs in producing its products or services?

A. price
B. productivity
C. location
D. quality
E. inventory management

Relative to the other choices, price is least likely to affect cost.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 List several ways that business organizations compete.
Topic: Competitiveness

32. Where a firm locates would typically not affect that firm's:

A. costs.
B. convenience for customers.
C. delivery times.
D. strategy.
E. transportation costs.

Typically, strategy dictates where firms will locate, rather than location dictating strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 List several ways that business organizations compete.
Topic: Mission and Strategies

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33. Which of the following is not among the chief reasons organizations fail?

A. overemphasis on short-term financial performance
B. emphasizing labor productivity in labor-intensive environments
C. poor internal communications
D. not investing in capital and human resources
E. overemphasis on product (or service) design

In labor-intensive environments, emphasizing labor productivity is a good idea.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Name several reasons that business organizations fail.
Topic: Competitiveness

34. The key to successfully competing is understanding what customers want and then _____ satisfy those wants.

A. training production workers to
B. finding suppliers who can
C. finding the best way to
D. designing products and services that
E. hiring enough workers to

To successfully compete, two basic issues must be addressed: What do the customers want? What is the best way to satisfy those wants?

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Name several reasons that business organizations fail.
Topic: Competitiveness

35. An organization's mission statement serves as the basis for:

A. environmental scanning.
B. core competencies.
C. operating procedures.
D. distinctiveness.
E. organizational goals.

Organizations' missions serve as the broad underpinning for their goals.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Competitiveness

36. Which of the following would be least important in the pursuit of a time-based strategy?

A. cost minimization
B. quick changeover times
C. operational agility
D. reduced complaint resolution times
E. flexible technology

Many means for minimizing cost would have the effect of making a time-based strategy less feasible.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Describe and give examples of time-based strategies.
Topic: Mission and Strategies

37. Competitiveness doesn't include:

A. productivity.
B. effectiveness.
C. profitability.
D. operations strategy.
E. operations management.

A company can be competitive relative to similar companies and still be unprofitable if the competitive environment is inherently unprofitable.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 List several ways that business organizations compete.
Topic: Competitiveness

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38. Product design and choice of location are examples of _____ decisions.

A. strategic
B. tactical
C. operational
D. customer-focused
E. design

These decisions are made high in the hierarchy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

39. Scheduling personnel is an example of an operations management:

A. mission implementation.
B. operational decision.
C. organizational strategy.
D. functional strategy.
E. tactical decision.

Scheduling decisions are made low in the hierarchy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Operations Strategy

40. Productivity is expressed as:

A. output plus input.
B. output minus input.
C. output times input.
D. output divided by input.
E. input divided by output.

Productivity is the ratio of outputs to inputs.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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41. In the 1970s and early 1980s in the United States, organizations concentrated on:

A. operations strategies.
B. improving quality.
C. marketing and financial strategies.
D. revising mission statements.
E. environmental issues.

This led to U.S. firms being not very competitive with regard to their operations.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Operations Strategy

42. Which of the following is not a factor that affects productivity?

A. computer viruses
B. design of the workspace
C. use of the Internet
D. standardizing processes
E. product price

These don't lead to fundamental changes in operations.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

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43. Which of these factors would be least likely to affect productivity?

A. methods and technology
B. workers
C. management
D. product mix
E. advertising

Advertising could increase the value of the outputs, but it is less likely to affect productivity than these other factors.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

44. Which of the following is not a key step toward improving productivity?

A. developing productivity measures for all operations
B. improving the bottleneck operations
C. establishing reasonable goals for improvement
D. considering incentives to reward workers
E. converting bond debt to stock ownership

A firm's productivity is independent of its capital structure.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

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45. For an organization to grow its market share, it must:

A. advertise using multimedia.
B. reduce prices.
C. exceed minimum standards of acceptability for its products or services.
D. establish an Internet Web site.
E. broaden its mission statement.

Only by exceeding standards can an organization grow its market share.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

46. The ratio of good output to quantity of raw material input is called

A. nondefective productivity.
B. process yield.
C. worker quality measurement.
D. total quality productivity.
E. quantity/quality ratio.

This is sometimes a useful productivity measure in service industries.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

47. The fundamental purpose for the existence of any organization is described by its:

A. policies.
B. procedures.
C. corporate charter.
D. mission statement.
E. bylaws.

A mission statement is the organization's attempt to justify its existence.

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Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

48. A productivity increase in one operation that does not improve overall productivity of the business is not

A. worthwhile.
B. trivial.
C. competence-destroying.
D. an order winner.
E. an order qualifier.

Only system-wide productivity improvement makes the organization more productive.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

49. Productivity growth can be calculated by:

A. outputs minus inputs.
B. inputs divided by the outputs.
C. outputs divided by the inputs.
D. input plus output divided by two.
E. (current productivity – previous productivity) x 100 / (previous productivity)

Productivity growth is a key factor in a country's rate of inflation and the standard of living of its people.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

50. Which of the following is true?

A. Corporate strategy is shaped by functional strategies.
B. Corporate mission is shaped by corporate strategy.
C. Functional strategies are shaped by corporate strategy.
D. External conditions are shaped by corporate mission.
E. Corporate mission is shaped by functional strategies.

Corporate strategy shapes strategies at lower levels.

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AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Mission and Strategies

51. Core competencies in organizations generally do not relate to:

A. cost.
B. quality.
C. time.
D. flexibility.
E. sales price.

What a firm charges for its outputs is not a core competency. What it can charge, however, is potentially related to a core competency.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

52. With regard to operations, organization strategy should, ideally, take into account:

A. operations' strengths and weaknesses.
B. inventory levels.
C. labor productivity.
D. product mix.
E. production processes.

Formulation of organization strategy should take into account the realities of operations' strengths and weaknesses, capitalizing on strengths and dealing with weaknesses.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

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53. Which of the following is not typically considered a cure for poor competitiveness?

A. Remove communications barriers within organizations.
B. Minimize attention to the operations function.
C. Put less emphasis on short-term financial results.
D. Recognize labor as a valuable asset and act to develop it.
E. Improve quality.

Operations is a prime area for improving competitiveness.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-02 Name several reasons that business organizations fail.
Topic: Competitiveness

54. Time-based approaches of business organizations focus on reducing the time to accomplish certain necessary activities. Time reductions seldom apply to:

A. product/service design time.
B. processing time.
C. delivery time.
D. response time for complaints.
E. internal audits.

Internal audits have little to do with core value-adding efforts.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-05 Describe and give examples of time-based strategies.
Topic: Operations Strategy

55. The external elements of SWOT analysis are:

A. strengths and weaknesses.
B. strengths and threats.
C. opportunities and threats.
D. weaknesses and opportunities.
E. strengths and opportunities.

Opportunities and threats relate to the organization and its external environment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

56. In an assembly operation at a furniture factory, six employees assembled an average of 450 standard dining chairs per five-day week. What is the labor productivity of this operation?

A. 90 chairs/worker/day
B. 20 chairs/worker/day
C. 15 chairs/worker/day
D. 75 chairs/worker/day
E. 60 chairs/worker/day

Divide the output of 450 chairs by the input of 30 worker-days.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

57. Which of the following is not a reason for poor performance of our organization in the marketplace?

A. placing too much emphasis on product/service design and too little on process design
B. failing to take into account customer wants and needs
C. putting too much emphasis on short-term financial performance
D. taking advantage of strengths/opportunities, and recognizing competitive threats
E. failing to monitor the external environment

Taking advantage of strengths/opportunities and recognizing competitive threats would enable good performance.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-02 Name several reasons that business organizations fail.
Topic: Competitiveness

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58. The manager of a carpet store is trying to determine the best installation crew size. He has tried various crew sizes with the results shown below. Based on productivity, what crew size do you recommend?

Crew Size	Yards Installed
2	716
4	1298
3	1017
3	1002
4	1278
2	702

A. 2
B. 3
C. 4

Crews of two workers are most productive with an average of ((716 + 702) / 2) / 2) = 354.5 yards/worker installed. The average productivity of three-worker crews is 336.5 yards/worker and for four-worker crews it is 322 yards/worker.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

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59. Which of the following is not a key factor of competitiveness?

A. price
B. product differentiation
C. flexibility
D. after-sale service
E. size of organization

Competitiveness often has nothing to do with organization size.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-02 Name several reasons that business organizations fail.
Topic: Productivity

60. Gourmet Pretzels bakes soft pretzels on an assembly line. It currently bakes 800 pretzels each eight-hour shift. If the production is increased to 1,200 pretzels each shift, then productivity will have increased by:

A. 50 percent.
B. 33 percent.
C. 25 percent.
D. 67 percent.

Divide the difference in productivity by the original productivity.

Original productivity = 800 pretzels/eight-hour shift.

New productivity = 1200 pretzels/eight-hour shift.

Increase in productivity = (1200 - 800) × 100 / 800 = 50%

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

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61. The weekly output of a fabrication process is shown below, together with data for labor and material inputs. Standard selling price is $125 per unit. Overhead is charged weekly at the rate of $1,500 plus .5 times direct labor cost. Assume a 40-hour week and an hourly wage of $16. Material cost is $10 per foot. What is the average multifactor productivity?

Week	Output	#Workers	Material (ft)
1	392	5	2720
2	408	6	2790

A. 1.463
B. 1.457
C. 1.431

Calculate multifactor productivity for each week, then average the two.
Week 1: (392*$125)/((5 × 40 × $16) + ($1,500 + 0.5 × (5 × 40 × $16)) + (2720 × $10)) = 1.4627
Week 2: (408*$125)/((6 × 40 × $16) + ($1,500 + 0.5 × (6 × 40 × $16)) + (2790 × $10)) = 1.4505
Average = (1.4627 + 1.4505) / 2 = 1.4566 or 1.457

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

62. The Balanced Scorecard is a useful tool for helping managers translate their strategy into action in the following areas:

A. Sustainability; Flexibility; Efficiency; Technology
B. Customers; Financial; Internal Business Processes; Learning and Growth
C. Customization; Standardization; Efficiency; Effectiveness
D. The Environment; The Community; Suppliers; Other Stakeholders
E. Strategy; Tactics; Productivity; Profitability

These are the four core areas addressed by the Balanced Scorecard.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Transforming Strategy into Action: The Balanced Scorecard

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63. A firm pursuing a strategy based on customization and variety will tend to structure and manage its supply chain to accommodate more _____ than a firm pursuing a strategy based on low cost and high volume.

A. variation
B. streamlined flow
C. quality
D. capacity
E. productivity

Customization and variety lead to variation that must be accommodated.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Operations Strategy

64. Unique attributes of firms that give them a competitive edge are called:

A. functional strategies.
B. Balanced Scorecards.
C. supply chains.
D. core competencies.
E. sustainable initiatives.

Core competencies can be translated into competitive advantage.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

65. Years ago in the overnight delivery business, providing package tracking capability gave some firms a competitive advantage. Now, all firms must offer this capability simply to be in this line of business. This is an example of _____ becoming _____ over time.

A. tactical implications; strategic
B. strategic implications; tactical
C. order winners; order qualifiers
D. profitability factors; productivity factors
E. order qualifiers; order winners

What is an order qualifier and what is an order winner changes over time.

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AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

66. For firms competing in worldwide markets, conducting _____ is more complex, since what works in one country or region might not work in another.

A. productivity analysis
B. environmental analysis
C. strategy implementation
D. sustainability analysis
E. growth forecasting

Environmental analysis takes into account the relevant factors in the environment; there are more of these if there are more markets to consider.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.
Topic: Mission and Strategies

67. Increasing the service offered to the customer makes it more difficult to compete on the basis of:

A. order qualifiers.
B. customization.
C. quality.
D. price.
E. flexibility.

More extensive service can be more costly, and more costly outputs make price-based strategies more difficult.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Implications of Organization Strategy for Operations Management

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68. _____ is generally used to facilitate an organization strategy that emphasizes low cost.

A. Speed to market
B. Flexibility
C. Customization
D. Sustainability
E. Standardization

Standardization is a powerful means of achieving low-cost production.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.
Topic: Implications of Organization Strategy for Operations Management

69. Which of the following factors would tend to reduce productivity?

A. improvements in workplace safety
B. reductions in labor turnover
C. more inexperienced workers
D. reductions in the scrap rate
E. less variety in the product mix

More inexperienced workers tend to be less productive.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Describe several factors that affect productivity.
Topic: Productivity

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70. Suppose a country's productivity last year was 84. If this country's productivity growth rate of 5 percent is to be maintained, this means that this year's productivity will have to be:

A. 88.2.
B. 79.8.
C. 82.8.
D. 78.9.
E. 4.2.

Multiply 84 by 1.05.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.
Topic: Productivity

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Chapter 02 Test Bank – Static Summary

Category	*# of Questions*
AACSB: Analytic	5
AACSB: Reflective Thinking	65
Accessibility: Keyboard Navigation	70
Blooms: Apply	3
Blooms: Evaluate	1
Blooms: Remember	44
Blooms: Understand	22
Difficulty: 1 Easy	22
Difficulty: 2 Medium	39
Difficulty: 3 Hard	9
Learning Objective: 02-01 List several ways that business organizations compete.	5
Learning Objective: 02-02 Name several reasons that business organizations fail.	6
Learning Objective: 02-03 Define the terms mission and strategy and explain why they are important.	19
Learning Objective: 02-04 Discuss and compare organization strategy and operations strategy and explain why it is important to link the two.	10
Learning Objective: 02-05 Describe and give examples of time-based strategies.	3
Learning Objective: 02-06 Define the term productivity and explain why it is important to organizations and to countries.	17
Learning Objective: 02-07 Describe several factors that affect productivity.	10
Topic: Competitiveness	10
Topic: Implications of Organization Strategy for Operations Management	2
Topic: Mission and Strategies	21
Topic: Operations Strategy	8
Topic: Productivity	28
Topic: Transforming Strategy into Action: The Balanced Scorecard	1

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