

## **Chapter 02**

### **Operations and Supply Strategy**

#### **True / False Questions**

1. Strategy describes how a firm intends to create and sustain shareholder value.

**TRUE**

*Level: Easy*

2. An effective operations and supply strategy must be integrated with the organization's corporate strategy.

**TRUE**

*Level: Easy*

3. One of the competitive dimensions that form the competitive position of a company when planning their strategies is cost.

**TRUE**

*Level: Easy*

4. Operations and supply management is significant since it relates to some of the components of strategy.

**FALSE**

*Level: Easy*

5. One of the competitive dimensions that form the competitive position of a company when planning their strategies is delivery speed.

**TRUE**

*Level: Easy*

6. Central to the concept of operations and supply strategy is the notion of operations focus and trade-offs.

**TRUE**

*Level: Easy*

7. The process when a company seeks to match the benefits of a successful position while maintaining its existing position by adding new features, services and technologies into its current portfolio is called innovation.

**FALSE**

*Level: Easy*

8. The process when a company seeks to match the benefits of a successful position while maintaining its existing position by adding new features, services and technologies into its current portfolio it is called straddling.

**TRUE**

*Level: Easy*

9. Following a straddling strategy, firms will broaden their capabilities and effectively compete with more focused firms in markets requiring low cost for success.

**FALSE**

*Level: Medium*

10. An order winner is a set of criteria that differentiates the products or services of one firm from another.

**TRUE**

*Level: Easy*

11. An order winner is a set of screening criteria that permits a firm's products to be considered as possible candidates for purchase.

**FALSE**

*Level: Easy*

12. An order qualifier is a set of screening criteria that permits a firm's products to be considered as possible candidates for purchase.

**TRUE**

*Level: Easy*

13. Activity-system maps show how a company's strategy is delivered through a set of tailored activities.

**TRUE**

*Level: Easy*

14. Activity-system maps are useful in understanding how well a system of activities fits the overall company's strategy.

**TRUE**

*Level: Easy*

15. Activity-system maps depict the geographic reach of a company's business strategies.

**FALSE**

*Level: Easy*

16. An operations and supply strategy is a long term commitment that must resist change.

**FALSE**

*Level: Easy*

17. Operations and supply strategy must be linked horizontally to the customer and vertically to other parts of the enterprise.

**FALSE**

*Level: Medium*

18. An operations and supply strategy involves decisions that relate to the design of a process and the infrastructure needed to support the process.

**TRUE**

*Level: Easy*

19. Infrastructure decisions within operations and supply strategy include the selection of the appropriate technology, the role of inventory and the location of facilities.

**FALSE**

*Level: Medium*

20. In the operations and supply strategy framework proposed in the textbook, financial management is considered a support platform.

**TRUE**

*Level: Easy*

21. Core capabilities are the skills that differentiate the service or manufacturing firm from its competitors.

**TRUE**

*Level: Easy*

22. Once an operations and supply strategy is adopted and articulated, the primary emphasis becomes perfecting the system of activities that make up the strategy through detailed refinements over a long period of time.

**FALSE**

*Level: Medium*

23. Central to the concept of operations and supply strategy are the notions of focus and trade-offs.

**TRUE**

*Level: Easy*

24. Process-based capabilities in service operations involve the ability to master new technologies, design and introduce new products and bring new plants on line significantly faster than one's competitors.

**FALSE**

*Level: Medium*

25. In operations and supply strategy, a strategic priority does not have to make compromises with other priorities.

**FALSE**

*Level: Medium*

26. Highly efficient firms usually fare poorly when demand drops during a recession since their low-cost structure requires a very large demand to maintain efficiency.

**FALSE**

*Level: Medium*

27. Wall Street analysts are not particularly concerned with how efficient companies are from an operations and supply management view.

**FALSE**

*Level: Easy*

28. Productivity is a relative measure.

**TRUE**

*Level: Easy*

29. In a partial measure of productivity the denominator of the ratio would include all resources used or all inputs.

**FALSE**

*Level: Easy*

30. In a multifactor measure of productivity the numerator of the ratio would include all resources used or all inputs.

**FALSE**

*Level: Easy*

31. The operations and supply activities of the firm need to strategically support the competitive priorities of the firm.

**TRUE**

*Level: Easy*

32. The primary job of operations and supply strategy is to deliver the most feature-rich, highest quality product at the lowest price within specified parameters of delivery time and customization.

**FALSE**

*Level: Medium*

### **Multiple Choice Questions**

33. Which of the following is not one of the major strategic operations and supply competitive dimensions that form a company's competitive position?

- A. Cost or price
- B. Delivery speed
- C. Delivery reliability
- D.** Management acumen
- E. Coping with changes in demand

*Level: Medium*

34. A major competitive dimension that forms a company's strategic operational competitive position in their strategic planning is which of the following?

- A.** Cost or price
- B. Trade-offs
- C. Focus
- D. Straddling
- E. Activity-system maps

*Level: Easy*

35. In developing an operations and supply strategy, which of the following would be an important product-specific criteria to consider?

- A. Technical liaison
- B. Product life cycle
- C. Union status of workforce
- D. Production lot-size
- E. Total quality management

*Level: Easy*

36. In developing an operations and supply strategy, which of the following would be an important product-specific criteria to consider?

- A. Focused factory
- B. Production lot-size
- C. Supplier after-sale support
- D. Learning curve
- E. Total quality management

*Level: Easy*

37. When a company seeks to match the benefits of a successful position while maintaining its existing position in offering customers a variety of differing services, what is this process called?

- A. Operations capability analysis
- B. Straddling
- C. Order qualifier
- D. Order winners
- E. Inter-functional analysis

*Level: Easy*



38. An activity-based map is which of the following?

- A. A network guide to route airlines
- B. A listing of activities that make up a project
- C.** A network that shows how a company's strategy is delivered to customers
- D. A facility layout schematic noting what is done where
- E. A timeline displaying major planned events

*Level: Easy*

39. The operations and supply strategy framework presented in the textbook includes which of the following enterprise capabilities?

- A. Quality
- B. Dependability
- C. Flexibility
- D. Price
- E.** People

*Level: Medium*

40. The operations and supply strategy framework presented in the textbook includes which of the following enterprise capabilities?

- A. Customer Satisfaction
- B. Product Leadership
- C.** Distribution
- D. Price
- E. Dependability

*Level: Medium*

41. Which of the following is not an enterprise capability presented in the textbook as part of the operations and supply strategy framework?

- A. Technology
- B. Systems
- C. People
- D. R&D
- E.** Price

*Level: Medium*

42. In the operations and supply strategy framework presented in the textbook, which of the following is a support platform?

- A. Sales force management
- B.** Information management
- C. Production scheduling
- D. Corporate management
- E. Customers

*Level: Easy*

43. Which of the following is a partial measure of productivity?

- A.** Output/Materials
- B. Output/(Labor + Capital + Energy)
- C. Output/All resources used
- D. Output/Inputs
- E. All of the above

*Level: Easy*

44. Which of the following is a multifactor measure of productivity?

- A. Output/(Materials + Labor)
- B. Output/(Labor + Capital + Energy)**
- C. Output/All resources used
- D. Output/Inputs
- E. All of the above

*Level: Easy*

45. Which of the following is a total measure of productivity?

- A. Output/Materials
- B. Output/(Labor + Capital + Energy)
- C. Output/Labor
- D. Output/Inputs**
- E. All of the above

*Level: Easy*

46. If all you knew about a production system was that total daily output was 400 units and the total labor necessary to produce the 400 units was 350 hours, what kind of productivity measure could you use to compute productivity?

- A. Partial measure**
- B. Multifactor measure
- C. Total measure
- D. Global measure
- E. All of the above

*Level: Medium*

47. If all you knew about a production system was that total daily output was 400 units and the total labor necessary to produce the 400 units was 350 hours and the total materials used were 425 units, what kind of productivity measure could you use to compute productivity?

- A. Partial measure
- B. Multifactor measure
- C. Total measure
- D.** A and B above
- E. B and C above

*Level: Medium*

48. The total output from a production system in one day is 500 units and the total labor necessary to produce the 500 units is 350 hours. Using the appropriate productivity measure, which of the following numbers represents the resulting productivity ratio?

- A. 1.000
- B.** 1.428
- C. 0.700
- D. 0.411
- E. None of the above

*Level: Medium*

49. The total output from a production system in one day is 900 units and the total labor necessary to produce the 900 units is 900 hours. Using the appropriate productivity measure, what is the resulting productivity ratio?

- A.** 1.000
- B. 1.428
- C. 0.700
- D. 0.411
- E. None of the above

*Level: Easy*

50. Larry's Auto Body Repair Shop had revenues that averaged \$60,000 per week in April and \$50,000 per week in May. During both months, the shop employed six full-time (40 hours/week) workers. In April the firm also had four part-time workers working 25 hours per week but in May there were only 2 part-time workers and they only worked 10 hours per week. What is the percentage change in labor productivity from April to May for Larry's Auto Body Repair?

- A. 17.65
- B. 15.84
- C.** 8.97
- D. 1.76
- E. 19.23

*Level: Hard*

51. Various financial data for SunPath Manufacturing for 2008 & 2009 follow.

		2008	2009
Output:	Sales	\$300,000	\$330,000
Inputs:	Labor	\$40,000	\$43,000
	Raw Materials:	\$45,000	\$51,000
	Energy:	\$10,000	\$9,000
	Capital Employed:	\$250,000	\$262,000
	Other:	\$2,000	\$6,000

What is the percentage change in SunPath's total productivity measure between 2008 & 2009?

- A. 9.22
- B. 2.33
- C. 0.53
- D.** 2.88
- E. 10.39

*Level: Hard*

52. Various financial data for SunPath Manufacturing for 2008 & 2009 follow.

		2008	2009
Output:	Sales	\$300,000	\$330,000
Inputs:	Labor	\$40,000	\$43,000
	Raw Materials:	\$45,000	\$51,000
	Energy:	\$10,000	\$9,000
	Capital Employed:	\$250,000	\$262,000
	Other:	\$2,000	\$6,000

What is the percentage change in the energy partial productivity measure for SunPath between 2008 & 2009?

- A. 9.22
- B. 2.33
- C. 0.53
- D. 2.88
- E.** 10.39

*Level: Medium*

53. Various financial data for SunPath Manufacturing for 2008 & 2009 follow.

What is the percentage change in the labor partial productivity measure for SunPath between 2008 & 2009?

- A. 9.22
- B.** 2.33
- C. 0.53
- D. 2.88
- E. 10.39

*Level: Medium*

54. Various financial data for SunPath Manufacturing for 2008 & 2009 follow.

What is the percentage change in the multifactor labor and raw materials productivity measure for SunPath between 2008 & 2009?

- A. -9.22
- B. 2.33
- C. 0.53**
- D. 2.88
- E. 10.39

*Level: Hard*

### **Short Answer Questions**

55. Strategy typically breaks down into what three major components?

operations effectiveness, customer management and product innovation

*Level: Hard*

56. What is a criterion or product characteristic that differentiates a product from the products of competitors in a way meaningful to the market called?

Order winner

*Level: Medium*

57. A diagram showing how a company's strategy is delivered through a set of tailored activities is called what?

Activity-system map

*Level: Medium*

58. The skills that differentiate a manufacturing or service firm from its rivals are called what?

Core capabilities or core competencies

*Level: Easy*

### **Essay Questions**

59. Describe a specific example of the trade-offs between any two of the seven operational competitive dimensions?

This question requires that the student recall at least two of the seven dimensions described under the heading "Competitive Dimensions" on pages 22-24 of the text. In evaluating the student's response the instructor should take care that the student's arguments do, indeed illustrate a "trade-off" or a situation where an improvement in one dimension comes at the cost of a lessening of a different dimension. A fairly common example is between achieving low cost or price at the expense of quality. For this example it is necessary for the student to specify that he is talking about reducing design quality to achieve low cost (for example) instead of process quality where improvements typically result in lowered cost.

*Level: Medium*



60. Explain the role that "order qualifiers" and "order winners" play as the interface between marketing and operations?

The student's answer to this question should indicate the usefulness of articulating and differentiating between order winners and order qualifiers. In essence, these factors should indicate the essence of what is required to compete in the marketplace and the ways that the product or service, itself, differentiates itself from competing products and services. This topic is discussed in the text starting on page 25 under the heading "Order Winners and Qualifiers: The Marketing-Operations Link".

*Level: Medium*

61. Why might a partial productivity measure be preferred to the more comprehensive total factor measure of productivity?

Student responses to this question will separate themselves into reasons related to the adequacy and reliability of data (a correct but only satisfactory response) and reasons related to the uses of the productivity measure (a more thoughtful response.) As an example of the latter, a partial productivity measure of energy might be of interest when tracking new energy conservation policies. A more thorough discussion of these issues can be found in the text on pages 28-29 under the heading "Productivity Measurement".

*Level: Medium*