

## Chapter 02

### Operations and Supply Chain Strategy

#### Multiple Choice Questions

1. Corporate strategic planning involves decisions related to:
  - A. What businesses should we be in?
  - B. What specific product- and market-based initiatives and goals should we establish?
  - C. What measures should we use to control strategic initiatives?
  - D. All of these.
  
2. Functional strategic planning involves decisions related to:
  - A. What businesses should we be in?
  - B. Specific product- and market-based initiatives and goals.
  - C. What metrics should be used to ensure progress in operations management?
  - D. All of these.

3. A well-designed value proposition possesses four characteristics. Which of the following is NOT one of those characteristics?
- A. It offers the highest product quality in each quality dimension.
  - B. It differentiates the firm from its competition in a way that is difficult to imitate.
  - C. It satisfies the financial and strategic objectives of the firm.
  - D. It can be reliably delivered given the operational capabilities of the firm and its supporting supply chain.
4. Which of the following is the most appropriate definition of an "order winner"?
- A. A product characteristic that causes customers to choose the product over that of a competitor.
  - B. A product characteristic that permits the product to compete in a market.
  - C. A product that has the highest profit margin.
  - D. A product that generates the highest dollar sales volume.
5. Which of the following is NOT true about "order qualifiers"?
- A. These are product traits that must meet a certain level in order for the product to even be considered by customers.
  - B. The firm must perform acceptably on these traits, usually at least as well as competitors' offerings.
  - C. Customers may not be aware of any level of performance in excess of those minimum levels that they have established.
  - D. All of the above are true about order qualifiers.

6. Xanadu makes HD televisions. It claims that its HD televisions have the clearest picture clarity in the industry. Xanadu is emphasizing which dimension of quality?
- A. Reliability
  - B. Performance
  - C. Features
  - D. Conformance
7. Scantron Inc. claims that its competitors have to recall 10 percent of their products to fix defects, while it only has to recall 5 percent. Scantron is emphasizing which dimension of quality?
- A. Durability
  - B. Reliability
  - C. Performance
  - D. Conformance
8. Which of the following is considered a "process-related" competitive priority?
- A. Flexibility
  - B. Quality
  - C. Cost
  - D. All of these

9. Xanadu Inc. claims that its manufacturing processes result in fewer greenhouse gases than those of its primary competitors. This suggests that Xanadu has a focus on:
- A. Risk management.
  - B. Sustainability.
  - C. Flexibility.
  - D. Profitability.
10. Which of the following is NOT considered a key characteristic of a core capability:
- A. It is based on factors that are rare or unique to the firm.
  - B. It is hard to imitate.
  - C. It does not need to be extendable to many market opportunities.
  - D. There are few substitutes for it.
11. "When operational capabilities are consistent with and supportive of the value proposition and the outcomes desired by critical customers" best describes the concept of:
- A. Execution.
  - B. Flexibility.
  - C. Strategic planning.
  - D. Fit.

12. A vice president of operations wants to evaluate the impact of reducing manufacturing expenses on the firm's return on assets. A measurement approach that he might consider for this is the:
- A. Strategic profit model.
  - B. Balanced scorecard model.
  - C. SCOR model.
  - D. None of these.
13. You are an upper-level manager in a firm. You believe that corporate objectives are not effectively disseminated throughout the organization and that line-level managers do not take them into account in their decision making. Which of the following would best help you to try to correct this problem?
- A. Strategic profit model.
  - B. Balanced scorecard model.
  - C. Maslow's needs model.
  - D. SCOR model.
14. Which of the following is a measure common to both the strategic profit model and the SCOR model?
- A. Responsiveness
  - B. Return on assets
  - C. Delivery performance
  - D. Lead time

15. The performance measurement approach that would be most useful in measuring and describing supply chain processes would be:
- A. Strategic profit model.
  - B. Balanced scorecard.
  - C. SCOR model.
  - D. All of these.
16. Which of the following is the most appropriate definition of a core capability?
- A. A set of products unique to a firm.
  - B. Technical capabilities of a firm.
  - C. Reputation.
  - D. Production/design processes unique to the firm.
17. Which of the following is NOT a component of the business model?
- A. Critical customer
  - B. Value proposition
  - C. Desired outcome statement
  - D. System capabilities

18. A company with a number of physically separate plants has a centralized tool room. This tool room in the past has been responsible for emergency repairs. Whenever equipment (e.g., a spindle, boring machine, transfer line) in one of these separate plants breaks down, the affected items are brought to the tool room, where they are repaired. In some cases, the breakdowns affect production schedules. In other cases, the breakdowns are more annoying but do not adversely affect schedules. Complicating the operations in the tool room is the fact that many of the plans for the equipment are incomplete or out-of-date, thus resulting in "make from sample" requests (the broken part is provided and the tool room is asked to make the replacement piece just like the broken part). It is difficult to predict what equipment will break down and when. Furthermore, the company owns a wide variety of equipment. What are the order winners and order qualifiers in this scenario?

|    | Order Winners        | Order Qualifiers     |
|----|----------------------|----------------------|
| A. | Cost, Quality        | Speed, Flexibility   |
| B. | Flexibility, Quality | Speed, Cost          |
| C. | Speed, Cost          | Flexibility, Quality |
| D. | Speed, Flexibility   | Quality, Cost        |

- A. Option A
- B. Option B
- C. Option C
- D. Option D

19. Currently, our system is characterized by a lack of fit between what the customer wants and what the SCM system is best able to provide. As a result, which of the following would apply?

- I. The firm must change the market segment it is going after.
- II. Unless something is done, our firm will not be the most effective and efficient long-term supplier.
- III. Any firm can successfully counter such inconsistencies through the use of patents and aggressive advertising.

- A. I only.
- B. II only.
- C. III only.
- D. I and II only.
- E. I, II, and III.

20. Which three elements make up the triple bottom line?

- A. Planet, Pollution, Profit.
- B. Pollution, Equality, People.
- C. Profit, Equality, Pollution.
- D. People, Profit, Planet.



## Chapter 02 Operations and Supply Chain Strategy Answer Key

### Multiple Choice Questions

1. Corporate strategic planning involves decisions related to:

- A. What businesses should we be in?
- B. What specific product- and market-based initiatives and goals should we establish?
- C. What measures should we use to control strategic initiatives?
- D. All of these.

Corporate strategic planning is very broad and relates to what businesses the company should be involved in.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how operations strategy fits within a firm's overall strategic planning process.*

*Level of Difficulty: 1 Easy*

*Topic Area: Levels of Strategic Planning*

2. Functional strategic planning involves decisions related to:

- A. What businesses should we be in?
- B. Specific product- and market-based initiatives and goals.
- C. What metrics should be used to ensure progress in operations management?
- D. All of these.

Functional planning includes decisions regarding appropriate metrics for the specific functions in a business unit.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how operations strategy fits within a firm's overall strategic planning process.*

*Level of Difficulty: 1 Easy*

*Topic Area: Levels of Strategic Planning*

3. A well-designed value proposition possesses four characteristics. Which of the following is NOT one of those characteristics?

- A. It offers the highest product quality in each quality dimension.
- B. It differentiates the firm from its competition in a way that is difficult to imitate.
- C. It satisfies the financial and strategic objectives of the firm.
- D. It can be reliably delivered given the operational capabilities of the firm and its supporting supply chain.

Providing value does not require the highest quality in each dimension of quality.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-02 Describe the need for "fit" between the critical customers; value propositions; and operations capabilities-the essential elements that define an operations strategy.*

*Level of Difficulty: 1 Easy*

4. Which of the following is the most appropriate definition of an "order winner"?
- A. A product characteristic that causes customers to choose the product over that of a competitor.
  - B. A product characteristic that permits the product to compete in a market.
  - C. A product that has the highest profit margin.
  - D. A product that generates the highest dollar sales volume.

Order winners are traits that cause customers to actually choose a specific product.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-03 Describe customer-desired outcomes in terms of order winners; order qualifiers; and order losers.*

*Level of Difficulty: 1 Easy*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

5. Which of the following is NOT true about "order qualifiers"?
- A. These are product traits that must meet a certain level in order for the product to even be considered by customers.
  - B. The firm must perform acceptably on these traits, usually at least as well as competitors' offerings.
  - C. Customers may not be aware of any level of performance in excess of those minimum levels that they have established.
  - D. All of the above are true about order qualifiers.

The characteristics described are all characteristics of order qualifiers, not order winners or losers.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-03 Describe customer-desired outcomes in terms of order winners; order qualifiers; and order losers.*

*Level of Difficulty: 2 Medium*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

6. Xanadu makes HD televisions. It claims that its HD televisions have the clearest picture clarity in the industry. Xanadu is emphasizing which dimension of quality?
- A. Reliability
  - B. Performance
  - C. Features
  - D. Conformance

Picture clarity is a basic performance dimension of HD televisions.

*AACSB: Reflective Thinking*

*Blooms: Apply*

*Learning Objective: 02-04 Explain what product-related and process-related operational competitive priorities are; and how they are related to competitive advantage.*

*Level of Difficulty: 2 Medium*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

7. Scantron Inc. claims that its competitors have to recall 10 percent of their products to fix defects, while it only has to recall 5 percent. Scantron is emphasizing which dimension of quality?

- A. Durability
- B. Reliability
- C. Performance
- D. Conformance

Defects are an indication of lack of conformance.

*AACSB: Reflective Thinking*

*Blooms: Apply*

*Learning Objective: 02-04 Explain what product-related and process-related operational competitive priorities are; and how they are related to competitive advantage.*

*Level of Difficulty: 2 Medium*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

8. Which of the following is considered a "process-related" competitive priority?

- A. Flexibility
- B. Quality
- C. Cost
- D. All of these

Quality and cost are product-related. Flexibility is process related.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-04 Explain what product-related and process-related operational competitive priorities are; and how they are related to competitive advantage.*

*Level of Difficulty: 1 Easy*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

9. Xanadu Inc. claims that its manufacturing processes result in fewer greenhouse gases than those of its primary competitors. This suggests that Xanadu has a focus on:

- A. Risk management.
- B. Sustainability.
- C. Flexibility.
- D. Profitability.

Maintaining operations that are profitable and nondamaging to the environment is sustainability.

*AACSB: Ethics*

*Blooms: Remember*

*Learning Objective: 02-04 Explain what product-related and process-related operational competitive priorities are; and how they are related to competitive advantage.*

*Level of Difficulty: 1 Easy*

10. Which of the following is NOT considered a key characteristic of a core capability:

- A. It is based on factors that are rare or unique to the firm.
- B. It is hard to imitate.
- C. It does not need to be extendable to many market opportunities.
- D. There are few substitutes for it.

Core capabilities should be extendable to many market opportunities.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 1 Easy*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

11. "When operational capabilities are consistent with and supportive of the value proposition and the outcomes desired by critical customers" best describes the concept of:

- A. Execution.
- B. Flexibility.
- C. Strategic planning.
- D. Fit.

Fit is the extent to which there is agreement between capabilities, value proposition, and desires of critical customers.

*AACSB: Reflective Thinking*

*Blooms: Remember*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the*

*strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 1 Easy*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

12. A vice president of operations wants to evaluate the impact of reducing manufacturing expenses on the firm's return on assets. A measurement approach that he might consider for this is the:

- A. Strategic profit model.
- B. Balanced scorecard model.
- C. SCOR model.
- D. None of these.

The strategic profit model provides a framework to analyze the impact of operations decisions on ROA.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 1 Easy*

*Topic Area: Deploying Operations Strategy: Creating Value through Execution*



13. You are an upper-level manager in a firm. You believe that corporate objectives are not effectively disseminated throughout the organization and that line-level managers do not take them into account in their decision making. Which of the following would best help you to try to correct this problem?

A. Strategic profit model.  
**B.** Balanced scorecard model.  
C. Maslow's needs model.  
D. SCOR model.

The balanced scorecard is an approach to help align corporate objectives with operational decisions.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 2 Medium*

*Topic Area: Deploying Operations Strategy: Creating Value through Execution*

14. Which of the following is a measure common to both the strategic profit model and the SCOR model?

A. Responsiveness  
**B.** Return on assets  
C. Delivery performance  
D. Lead time

Of the listed measures, the only one common to both is return on assets.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 2 Medium*

*Topic Area: Deploying Operations Strategy: Creating Value through Execution*

15. The performance measurement approach that would be most useful in measuring and describing supply chain processes would be:

- A. Strategic profit model.
- B. Balanced scorecard.
- C. SCOR model.
- D. All of these.

The SCOR model is the only one of the three that provides tools for measuring and describing supply chain processes.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 1 Easy*

*Topic Area: Deploying Operations Strategy: Creating Value through Execution*

16. Which of the following is the most appropriate definition of a core capability?

- A. A set of products unique to a firm.
- B. Technical capabilities of a firm.
- C. Reputation.
- D. Production/design processes unique to the firm.

Core capabilities are skills, processes, and systems that are unique to the firm and desired by the customer.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-04 Explain what product-related and process-related operational competitive priorities are; and how they are related to competitive advantage.*

*Level of Difficulty: 1 Easy*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

17. Which of the following is NOT a component of the business model?

- A. Critical customer
- B. Value proposition
- C. Desired outcome statement
- D. System capabilities

This is based on the discussion of the business model.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-02 Describe the need for "fit" between the critical customers; value propositions; and operations capabilities-the essential elements that define an operations strategy.*

*Level of Difficulty: 1 Easy*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

18. A company with a number of physically separate plants has a centralized tool room. This tool room in the past has been responsible for emergency repairs. Whenever equipment (e.g., a spindle, boring machine, transfer line) in one of these separate plants breaks down, the affected items are brought to the tool room, where they are repaired. In some cases, the breakdowns affect production schedules. In other cases, the breakdowns are more annoying but do not adversely affect schedules. Complicating the operations in the tool room is the fact that many of the plans for the equipment are incomplete or out-of-date, thus resulting in "make from sample" requests (the broken part is provided and the tool room is asked to make the replacement piece just like the broken part). It is difficult to predict what equipment will break down and when. Furthermore, the company owns a wide variety of equipment. What are the order winners and order qualifiers in this scenario?

|    | Order Winners        | Order Qualifiers     |
|----|----------------------|----------------------|
| A. | Cost, Quality        | Speed, Flexibility   |
| B. | Flexibility, Quality | Speed, Cost          |
| C. | Speed, Cost          | Flexibility, Quality |
| D. | Speed, Flexibility   | Quality, Cost        |

- A. Option A  
B. Option B  
C. Option C  
D. Option D

Key is to understand the scenario and to apply the definitions of order winners, order qualifiers, and order losers.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-03 Describe customer-desired outcomes in terms of order winners; order qualifiers; and order losers.*

*Level of Difficulty: 2 Medium*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

19. Currently, our system is characterized by a lack of fit between what the customer wants and what the SCM system is best able to provide. As a result, which of the following would apply?

- I. The firm must change the market segment it is going after.
- II. Unless something is done, our firm will not be the most effective and efficient long-term supplier.
- III. Any firm can successfully counter such inconsistencies through the use of patents and aggressive advertising.

- A. I only.
- B. II only.**
- C. III only.
- D. I and II only.
- E. I, II, and III.

This question looks at the issue of fit within the business model.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-02 Describe the need for "fit" between the critical customers; value propositions; and operations capabilities-the essential elements that define an operations strategy.*

*Level of Difficulty: 2 Medium*

*Topic Area: Developing Operations Strategy: Creating Value through Strategic Choices*

20. Which three elements make up the triple bottom line?

- A. Planet, Pollution, Profit.
- B. Pollution, Equality, People.
- C. Profit, Equality, Pollution.
- D. People, Profit, Planet.

Simple definitional application, which asks the student to identify the elements that make the triple bottom line.

*AACSB: Reflective Thinking*

*Blooms: Understand*

*Learning Objective: 02-05 Explain how strategic performance can be assessed both operationally and financially by using the strategic profit model; the balanced scorecard; and the supply chain operational reference model.*

*Level of Difficulty: 1 Easy*

*Topic Area: Deploying Operations Strategy: Creating Value through Execution*