Supply Chain Management Strategy Planning and Operation 7th edition Chopra Test Bank

SKU: 9780134731889-TEST-BANK

Supply Chain Management: Strategy, Planning, and Operation, 7e **(Chopra)**
Chapter 2 Achieving Strategic Fit in a Supply Chain

2.1 True/False Questions

1) A company's competitive strategy defines the set of customer needs that it seeks to satisfy through its products and services.
Answer: TRUE
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

2) The value chain emphasizes the close relationship between all the functional strategies within a company.
Answer: TRUE
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

3) A company's product development strategy defines the set of customer needs that it seeks to satisfy through its products and services.
Answer: FALSE
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

4) A company's product development strategy specifies the portfolio of new products that it will try to develop.
Answer: TRUE
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

5) Supply chain strategy specifies what the operations, distribution, and service functions, whether performed in-house or outsourced, should do particularly well.
Answer: TRUE
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

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6) A company's supply chain strategy determines the nature of procurement and transportation of materials as well as the manufacture and distribution of the product.
Answer: TRUE
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

7) The degree of supply chain responsiveness should be consistent with the implied uncertainty.
Answer: TRUE
Diff: 1
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

8) To achieve complete strategic fit, a firm must ensure that all functions in the value chain have diverse strategies that support functional goals.
Answer: FALSE
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

9) Because demand and supply characteristics change, the supply chain strategy must change over the product life cycle if a company is to continue achieving strategic fit.
Answer: TRUE
Diff: 1
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

10) To retain strategic fit, supply chain strategy must be adjusted over the life cycle of a product and as the competitive landscape changes.
Answer: TRUE
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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11) The intercompany scope of strategic fit is no longer relevant today because the competitive playing field has shifted from company versus company to supply chain versus supply chain.
Answer: FALSE
Diff: 1
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

12) Having far more capacity than demand is helpful for a supply chain dealing with uncertainty.
Answer: TRUE
Diff: 1
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

13) Operating with low levels of inventory helps a supply chain facing uncertainty because there is that much less product to flush out of the system before filling today's order.
Answer: FALSE
Diff: 2
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

14) Uncertainty is nothing but an absence of the right information.
Answer: TRUE
Diff: 2
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

15) The interoperation scope has each stage of the supply chain devising its strategy independently.
Answer: FALSE
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

16) Intraoperation scope resulted in minimal supply chain surplus.
Answer: TRUE
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

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17) An example of intrafunctional scope is that outsourcing a key component is reasonable if the savings in staying current in technology results in improved performance in other areas of R&D that permit improved overall performance.
Answer: TRUE
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

18) If all functional strategies are deliberately aligned with each other and with the overall competitive strategy, then the company profit will be maximized.
Answer: TRUE
Diff: 3
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

19) Intercompany scope is broader than intrafunctional scope.
Answer: TRUE
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

20) Monolithic Lumber has purchased timber from Bunyan Axe, the same wholly-owned subsidiary, for the last two centuries and plans to do so for another two centuries. It is crucial that Monolithic continue to demonstrate an agile company scope.
Answer: FALSE
Diff: 1
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

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2.2 Multiple Choice Questions

1) A company's competitive strategy
A) defines the set of customer needs that it seeks to satisfy through its products and services.
B) specifies the portfolio of new products that it will try to develop.
C) specifies how the market will be segmented and how the product will be positioned, priced, and promoted.
D) determines the nature of procurement and transportation of materials as well as manufacture and distribution of the product.
Answer: A
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

2) The value that potential customers place on product cost and delivery time determines a company's
A) customer needs.
B) competitive strategy.
C) supply chain surplus.
D) product life cycle.
Answer: B
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

3) The value chain in a company begins with
A) the customer.
B) marketing and sales.
C) new product development.
D) operations.
Answer: C
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
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4) Seven-Eleven in Japan's operations and distribution strategy focuses on
A) convenience in the form of easy access to stores.
B) constantly adding new products and services.
C) low cost for gasoline, which drives traffic to the store.
D) being responsive and having an excellent information infrastructure.
Answer: D
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

5) Which element in the value chain is responsible for transforming inputs into outputs?
A) Operations
B) Marketing
C) Distribution
D) All elements of the value chain do this.
Answer: A
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

6) Which of these services facilitates the function of the value chain but is not considered a core element of the supply chain?
A) Marketing
B) Information Technology
C) Distribution
D) Service
Answer: B
Diff: 3
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

7) A company's product development strategy
A) defines the set of customer needs that it seeks to satisfy through its products and services.
B) specifies the portfolio of new products that it will try to develop.
C) specifies how the market will be segmented and how the product will be positioned, priced, and promoted.
D) determines the nature of procurement and transportation of materials as well as manufacture and distribution of the product.
Answer: B
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
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8) A company's marketing and sales strategy
A) defines the set of customer needs that it seeks to satisfy through its products and services.
B) specifies the portfolio of new products that it will try to develop.
C) specifies how the market will be segmented and how the product will be positioned, priced, and promoted.
D) determines the nature of procurement and transportation of materials as well as manufacture and distribution of the product.
Answer: C
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

9) A company's supply chain strategy
A) defines the set of customer needs that it seeks to satisfy through its products and services.
B) specifies the portfolio of new products that it will try to develop.
C) specifies how the market will be segmented and how the product will be positioned, priced, and promoted.
D) determines the nature of procurement and transportation of materials as well as manufacture and distribution of the product.
Answer: D
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

10) The value chain consists of direct and indirect activities. Which of the following is an indirect activity for an enterprise?
A) Marketing
B) Distribution
C) Human Resources
D) Service
Answer: C
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
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11) A _____ strategy specifies the portfolio of new products that a company will try to develop.
A) Product Development
B) Marketing and Sales
C) Supply Chain
D) Finance
Answer: A
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

12) A _____ strategy specifies how the market will be segmented and how the product will be positioned, priced, and promoted.
A) Product Development
B) Marketing and Sales
C) Supply Chain
D) Finance
Answer: B
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

13) Which of the following determines the nature of procurement of raw materials, transportation of materials to and from the company, manufacture of the product or operation to provide the service, and distribution of the product to the customer along with follow-up service?
A) Competitive strategy
B) Product development strategy
C) Marketing and sales strategy
D) Supply chain strategy
Answer: D
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
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14) Which of the following defines the set of customer needs that a company seeks to satisfy through its products and services?
A) Competitive strategy
B) Product development strategy
C) Marketing and sales strategy
D) Supply chain strategy
Answer: A
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

15) Which of the following specifies the portfolio of new products that a company will try to develop?
A) Competitive strategy
B) Product development strategy
C) Marketing and sales strategy
D) Supply chain strategy
Answer: B
Diff: 1
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

16) A supply chain strategy involves decisions regarding all of the following except
A) inventory.
B) transportation.
C) new product development.
D) operating facilities.
Answer: C
Diff: 2
Topic: 2.1: Competitive and Supply Chain Strategies
AACSB: Application of knowledge
Objective: LO 2.1: Explain why achieving strategic fit is critical to a company's overall success.

17) The uncertainty of customer demand for a product is the
A) rate of strategic uncertainty.
B) demand uncertainty.
C) implied demand uncertainty.
D) average forecast error.
Answer: B
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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18) The uncertainty that exists due to the portion of demand that the supply chain is required to meet is the
A) rate of strategic uncertainty.
B) demand uncertainty.
C) implied demand uncertainty.
D) average forecast error.
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

19) Which of the following customer needs will cause implied uncertainty of demand to increase?
A) Product margin
B) Lead time decreases
C) Average stockout rate
D) Average forced season end markdown
Answer: B
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

20) The first step in achieving strategic fit between competitive and supply chain strategies is to
A) understand the supply chain and map it on the responsiveness spectrum.
B) understand customers and supply chain uncertainty.
C) match supply chain responsiveness with the implied uncertainty of demand.
D) ensure that all functional strategies within the supply chain support the supply chain's level of responsiveness.
Answer: B
Diff: 3
Topic: 2.2: How is Strategic Fit Achieved?
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21) The second step in achieving strategic fit between competitive and supply chain strategies is to
A) understand the supply chain and map it on the responsiveness spectrum.
B) understand customers and supply chain uncertainty.
C) match supply chain responsiveness with the implied uncertainty of demand.
D) ensure that all functional strategies within the supply chain support the supply chain's level of responsiveness.
Answer: A
Diff: 3
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

22) The final step in achieving strategic fit between competitive and supply chain strategies is to
A) understand the supply chain and map it on the responsiveness spectrum.
B) understand customers and supply chain uncertainty.
C) match supply chain responsiveness with the implied uncertainty of demand.
D) combine customer and supply chain uncertainty and map it on the implied uncertainty spectrum.
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

23) Supply chain responsiveness includes the ability to do which of the following?
A) Handle supply uncertainty
B) Ship product in larger quantities than your competitors
C) Substitute similar products to fill orders when the desired products are unavailable
D) Ensure that all functional strategies within the supply chain are reviewed annually
Answer: A
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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24) Supply chain responsiveness includes the ability to do which of the following?
A) Report financial results with a high degree of accuracy
B) Meet a very high service level
C) Ship product in larger quantities than your competitors
D) Substitute similar products to fill orders when the desired products are unavailable
Answer: B
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

25) Supply chain responsiveness includes the ability to do which of the following?
A) Ship product in larger quantities than your competitors
B) Substitute similar products to fill orders when the desired products are unavailable
C) Meet short lead times
D) Ensure that due dates are met regardless of accuracy of the fulfillment process
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

26) The cost of making and delivering a product to the customer is referred to as
A) supply chain responsiveness.
B) supply chain efficiency.
C) cost-responsiveness efficient frontier.
D) implied uncertainty.
Answer: B
Diff: 1
Topic: 2.2: How is Strategic Fit Achieved?
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Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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27) The curve that shows the lowest possible cost for a given level of responsiveness is referred to as the
A) supply chain responsiveness curve.
B) supply chain efficiency curve.
C) cost-responsiveness efficient frontier.
D) responsiveness spectrum.
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

28) A firm that is not on the cost-responsiveness efficient frontier can improve
A) both responsiveness and cost performance.
B) only responsiveness.
C) only cost performance.
D) responsiveness, but not cost performance.
Answer: A
Diff: 1
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

29) A graph with two axes with implied uncertainty along the horizontal axis and responsiveness along the vertical axis is referred to as the
A) implied uncertainty spectrum.
B) responsiveness spectrum.
C) uncertainty/responsiveness map.
D) zone of strategic fit.
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
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30) The relationship where increasing implied uncertainty from customers and supply sources is best served by increasing responsiveness from the supply chain is known as the
A) implied uncertainty spectrum.
B) responsiveness spectrum.
C) uncertainty/responsiveness map.
D) zone of strategic fit.
Answer: D
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

31) The drive for strategic fit should come from
A) the supply chain manager.
B) the strategic planning department.
C) the highest levels of the organization.
D) middle management.
Answer: C
Diff: 3
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

32) The preferable supply chain strategy for a firm that sells multiple products and serves customer segments with very different needs is to
A) set up independent supply chains for each different product or customer segment.
B) set up a supply chain that meets the needs of the highest volume product or customer segment.
C) tailor the supply chain to best meet the needs of each product's demand.
D) set up a supply chain that meets the needs of the customer segment with the highest implied uncertainty.
Answer: C
Diff: 3
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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33) Which of the following would be a demand and supply characteristic toward the beginning stages of a product's life cycle?
A) Demand has become more certain and supply is predictable.
B) Margins are lower due to an increase in competitive pressure.
C) Product availability is crucial to capturing the market.
D) Price becomes a significant factor in customer choice.
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

34) Between 1993 and 2006, Dell's competitive strategy was to provide a large variety of customizable products at a reasonable price. Given the focus on customization, Dell's supply chain was designed to
A) be responsive.
B) provide a different product.
C) operate on a low-cost basis.
D) provide sustainable products.
Answer: A
Diff: 3
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

35) For a company to achieve strategic fit, it must accomplish which of the following keys?
A) The company should have a functional area for each customer.
B) The different functions in a company must each have a strategy that is optimal for their own processes.
C) The overall supply chain must operate at the lowest cost possible to achieve success.
D) The design of the overall supply chain and the role of each stage must detailed in the annual report.
Answer: C
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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36) Efficient supply chains
A) respond quickly to demand.
B) have higher margins because price is not a prime customer driver.
C) maintain buffer inventory to deal with demand/supply uncertainty.
D) maximize performance at a minimum cost.
Answer: D
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

37) A mechanic invests in a basic set of sockets and open ended wrenches and waits patiently under a shade tree for the next car to pull up. Under the watchful eye of his dog Spike, the mechanic can service any make or model car. They never know what type of car and what problem they will face each day, but are prepared for this uncertainty thanks to
A) excess capacity.
B) flexible capacity.
C) information.
D) Spike.
Answer: B
Diff: 2
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

38) Ron Popiel is so convinced that his next product, the Thong-O-Matic, will be a big hit, that he has contracted with the three largest outsource call centers in Bangalore India before his first infomercial airs. "Operators truly will be standing by," Ron confides in his twin Don, "as I extoll the virtues of this device that can help a person get dressed in the morning." Forecasts for demand are all over the place, which is why Ron has elected to pull the
A) excess capacity lever.
B) flexible capacity lever.
C) information lever.
D) patient customer lever.
Answer: A
Diff: 2
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
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39) Wilma has spent a decade perfecting her Hoagie Cannon, which is capable of firing a submarine sandwich as a projectile across a five-mile radius of Upper Darby Township. Customers simply type in their coordinates on Wilma's app, and literally within seconds, they will receive an incoming hoagie with their choice of cold cuts and dressing. Wilma's uncertainty demons are kept at bay with her skillful use of her
A) excess capacity lever.
B) flexible capacity lever.
C) time lever.
D) patient customer lever.
Answer: C
Diff: 2
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

40) Wilma has invested in a 30,000-square foot warehouse to stock a wide variety of cold cuts and dressings for her hoagie shop in Upper Darby Township. There is no order she has been unable to accept and fill promptly over her forty years in the same location. Wilma's approach to mitigating uncertainty is by the use of
A) excess capacity.
B) flexible capacity.
C) time.
D) inventory.
Answer: D
Diff: 2
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

41) An aggressive investment in customer analytics represents the use of which lever to reduce supply chain uncertainty?
A) Information
B) Flexible capacity
C) Time
D) Inventory
Answer: A
Diff: 1
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

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42) The Boeing 747 was scheduled to take off from Will Rogers Airport bound for Galeão International in just two days and with only four seats booked, the holiday getaway appeared to be a money-losing proposition. Bob lowered the airfare 90% and hoped to make up the loss of logistical revenue by doubling the price of caipirinhas and samba drums throughout the trip. Bob has handled uncertainty using which tool?
A) Information
B) Price
C) Time
D) Inventory
Answer: B
Diff: 1
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

43) The functions and stages that devise an integrated strategy with an aligned objective are referred to as
A) competitive strategy.
B) supply chain strategy.
C) scope of strategic fit.
D) scope of marketing strategy.
Answer: C
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

44) With the _____ view, firms attempt to align all operations within a function. In this view, all supply chain functions including sourcing, manufacturing, warehousing, and transportation must align their strategy to minimize total functional cost.
A) intrafunctional scope
B) intraoperation scope
C) interfunctional scope
D) intercompany scope
Answer: A
Diff: 3
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

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45) The key weakness of the _____ view is that different functions within a firm may have conflicting objectives.
A) intrafunctional scope
B) intraoperation scope
C) interfunctional scope
D) intercompany scope
Answer: A
Diff: 3
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

46) Which of these has the broader range?
A) intrafunctional scope
B) intercompany scope
C) interfunctional scope
D) intraoperational scope
Answer: B
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

47) Scope of strategic fit refers to both the
A) function within the firm and the satisfaction of the customer.
B) satisfaction of the customer and the profits returned to the shareholders.
C) function within the firm and stages across the supply chain.
D) profits returned to the shareholders and the stages across the supply chain.
Answer: C
Diff: 3
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

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48) The authors cite IKEA as achieving an intercompany scope of strategic fit which serves to
A) minimize IKEA's costs.
B) align the strategic fit with the consumer surplus.
C) minimize the costs of all supply chain elements.
D) increase the supply chain surplus.
Answer: D
Diff: 3
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

49) A company's partners in the supply chain determine
A) the company's success.
B) the scope of strategic fit.
C) the relevance of sustainability initiatives.
D) the need for customers.
Answer: A
Diff: 1
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

50) Company A and Company B of the same supply chain rely on market responsiveness to attract customers. Each company has access to the other company's designs, production schedules, and goals, and if Company A needs product overnight, Company B gladly ships it, knowing that in the long run it works to the benefit of both. Such an arrangement is an example of
A) intrafunctional scope.
B) intraoperation scope.
C) interfunctional scope.
D) intercompany scope.
Answer: D
Diff: 2
Topic: 2.4: Expanding Strategic Scope
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2.3 Essay Questions

1) Sketch the generic value chain for a company and briefly describe the contributions of each of its elements.
Answer: The value chain diagram from the text is:

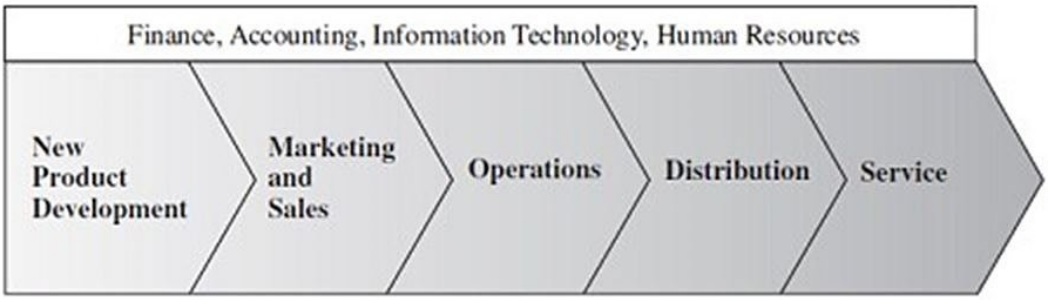


Figure 2-1 The Value Chain in a Company

The value chain begins with New Product Development, which creates specifications for the product. Marketing and Sales generate demand by publicizing the customer priorities that the products and services will satisfy. Marketing also brings customer input back to new product development. Operations transforms inputs to outputs to create the product according to new product specifications. Distribution either takes the product to the customer or brings the customer to the product. Service responds to customer requests during or after the sale. These are core processes or functions that must be performed for a successful sale.
Finance, accounting, information technology, and human resources support and facilitate the functioning of the value chain.
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

2) Discuss the two keys to the success or failure of a company.
Answer: A company's success or failure is thus closely linked to the following keys:
The competitive strategy and all functional strategies must fit together to form a coordinated overall strategy. Each functional strategy must support other functional strategies and help a firm reach its competitive strategy goal.
The different functions in a company must appropriately structure their processes and resources to be able to execute these strategies successfully.
Diff: 3
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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3) List and explain the three basic steps to achieving strategic fit.
Answer: There are three basic steps to achieving strategic fit:
Understanding the customer and supply chain uncertainty. First a company must understand the customer needs for each targeted segment and the uncertainty the supply chain faces in satisfying these needs. These needs help the company define the desired cost and service requirements. The supply chain uncertainty helps the company identify the extent of disruption and delay the supply chain must be prepared for.
Understanding the supply chain capabilities. There are many types of supply chains, each of which is designed to perform different tasks well. A company must understand what its supply chain is designed to do well.
Achieving strategic fit. If a mismatch exists between what the supply chain does particularly well and the desired customer needs, the company will either need to restructure the supply chain to support the competitive strategy or alter its strategy.
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

4) Discuss the impact of the product life cycle on strategic fit between implied demand uncertainty and supply chain responsiveness.
Answer: As products go through their life cycle, the demand characteristics and the needs of the customer segments being served change. Supply characteristics also change as the product and production technologies mature. High-tech products are particularly prone to these life cycle swings over a very compressed time span. A product goes through life cycle phases from the introductory phase, when only the leading edge of customers is interested in it and supply is uncertain, all the way to the point at which the product becomes a commodity, the market is saturated, and supply is predictable. Thus, if a company is to maintain strategic fit, its supply chain strategy must evolve as its products enter different phases. As products mature, the corresponding supply chain strategy should, in general, move from being responsive to being efficient. The key point here is that demand and supply characteristics change over a product's life cycle. Because demand and supply characteristics change, the supply chain strategy must also change over the product life cycle if a company is to continue achieving strategic fit.
Diff: 2
Topic: 2.2: How is Strategic Fit Achieved?
AACSB: Application of knowledge
Objective: LO 2.2: Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.

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5) What are any four ways that a supply chain can help reduce the impact of uncertain demand and which is most appropriate to use?
Answer: Answers will vary. Capacity, inventory, time, information, and price are the five levers that a supply chain can use to deal with this uncertainty. The implied uncertainty that a supply chain needs to absorb depends on the needs of the customer segment(s) targeted. To achieve strategic fit, a supply chain must find the right balance between investments in the five levers to effectively serve the target customer segment(s).
Diff: 1
Topic: 2.3: Supply Chain Levers to Deal with Uncertainty
AACSB: Application of knowledge
Objective: LO 2.3: Identify the main levers to deal with uncertainty in a supply chain.

6) Explain scope of strategic fit.
Answer: Scope of strategic fit refers to the functions and stages that devise an integrated strategy with a shared objective. It is a key issue relating to strategic fit in terms of supply chain stages, across which the strategic fit applies. At one extreme, every operation within each functional area devises its own independent strategy with the objective of optimizing its individual performance. In this case, the scope of strategic fit is restricted to an operation in a functional area within a stage of the supply chain. At the opposite extreme, all functional areas within all stages of the supply chain devise strategy jointly with a common objective of maximizing supply chain profit. In this case, the scope of strategic fit extends to the entire supply chain. Expanding the scope of strategic fit improves supply chain performance. The scope of strategic fit can be represented on a two-dimensional grid. Horizontally, the scope of strategic fit is considered across different supply chain stages, starting from suppliers and moving all the way along the chain to the customer. Vertically, the scope is applied to the fit achieved across different functional strategies, competitive, product development, supply chain, and marketing.
Diff: 2
Topic: 2.4: Expanding Strategic Scope
AACSB: Application of knowledge
Objective: LO 2.4: Discuss the importance of expanding the scope of strategic fit across the supply chain.

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