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Test Bank (Download only) for Operations Management & Principles of Operations Management: Sustainability and Supply Chain Management

Revised by Jianli Hu

Operations Management

Thirteenth Edition

Principles of Operations Management

Eleventh Edition

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Operations Management, 13e **(Heizer/Render/Munson)**
Chapter 2 Operations Strategy in a Global Environment

Section 1 A Global View of Operations and Supply Chains

1) Boeing's development of the 787 Dreamliner is an example of a company obtaining a competitive advantage through quick response.
Answer: FALSE
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

2) NAFTA seeks to phase out all trade and tariff barriers among Canada, Mexico, and the United States.
Answer: TRUE
Diff: 2
AACSB: Diverse and multicultural work environments

3) The World Trade Organization has helped significantly reduce tariffs around the world.
Answer: TRUE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

4) Production processes are being dispersed to take advantage of national differences in labor costs.
Answer: TRUE
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss the influences of the global competitive environment on operations management

5) NAFTA seeks to phase out all trade and tariff barriers between the United States and Asia.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

6) One reason for global operations is to gain improvements in the supply chain.
Answer: TRUE
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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7) One reason to globalize is to learn to improve operations.
Answer: TRUE
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

8) To attract and retain global talent, and to expand a product's life cycle, are both reasons to globalize.
Answer: TRUE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

9) A product will always be in the same stage of its product life cycle regardless of the country.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

10) The World Trade Organization helps provide governments and industries around the world with protection from firms that engage in unethical conduct.
Answer: TRUE
Diff: 2
AACSB: Ethical understanding and reasoning
Learning Outcome: Discuss the role of operations management in corporate social responsibility and sustainability

11) Due to cultural reasons, there are more female managers in the Middle East than in India.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss the role of operations management in corporate social responsibility and sustainability

12) Which of the following statements regarding the Dreamliner 787 is NOT true?
A) Boeing has found partners in over a dozen countries.
B) The new aircraft incorporates a wide range of aerospace technologies.
C) The new aircraft uses engines from not one, but two manufacturers.
D) Boeing is only sourcing 787 components from suppliers in countries that have agreed not to purchase planes from Airbus.
E) Boeing's enormous global supply chain delivers more than a billion parts and subassemblies to Boeing plants every year.
Answer: D
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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13) Boeing's new 787 Dreamliner:
A) is assembled in Washington, D.C.
B) uses engines from Japan.
C) has its fuselage sections built in Australia.
D) has increased efficiency from new engine technology.
E) results from a partnership of about a dozen companies.
Answer: D
Diff: 2

14) Cost cutting in international operations can take place because of:
A) lower taxes and tariffs.
B) lower wage scales.
C) lower indirect costs.
D) less stringent regulations.
E) all of the above.
Answer: E
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

15) Which of the following did the authors NOT suggest as a reason for globalizing operations?
A) reduce costs
B) improve the supply chain
C) pursue stockholder approval ratings
D) understand markets
E) attract and retain global talent
Answer: C
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

16) Multinational organizations can shop from country to country and cut costs through:
A) lower wage scales.
B) lower indirect costs.
C) less stringent regulations.
D) lower taxes and tariffs.
E) all of the these.
Answer: E
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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17) The term *maquiladora* is most synonymous with:
A) free trade zones in Mexico.
B) North Korean forced labor camps.
C) home-based or cottage industry.
D) areas that do not meet U.S. standards for workplace safety and pollution.
E) tax breaks provided by some South American countries to other South American countries.
Answer: A
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

18) Which of the following is TRUE of maquiladoras?
A) They discourage foreign businesses from outsourcing.
B) They assess tariffs only on the value-added work done.
C) They originated in China.
D) None of these
E) All of these
Answer: B
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

19) Which of the following represents a reason for globalizing operations?
A) to improve the supply chain
B) to improve operations
C) to expand a product's life cycle
D) to attract and retain global talent
E) all of these
Answer: E
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

20) Which of the following does NOT represent a valid reason for globalizing operations?
A) reduce costs
B) improve the supply chain
C) reduce responsiveness
D) attract and retain global talent
E) understand markets
Answer: C
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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21) The purpose of NAFTA is to:
A) substitute cheap labor in Mexico for expensive labor in the United States.
B) curb illegal immigration from Mexico to the United States.
C) phase out all trade and tariff barriers between North America and South America.
D) phase out all trade and tariff barriers between the United States, Canada, and Mexico.
E) provide fair and equitable tariff rates for trade between the United States, Canada, and Mexico.
Answer: D
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

22) With reference to cultural and ethical issues, the World Trade Organization has:
A) eliminated bribery.
B) made progress in providing equal protection of intellectual property among nations.
C) phased out all trade and tariff barriers between the United States and Mexico.
D) eliminated slave labor and child labor.
E) played little role in addressing cultural and ethical issues among nations.
Answer: B
Diff: 2
AACSB: Ethical understanding and reasoning
Learning Outcome: Discuss the role of operations management in corporate social responsibility and sustainability

23) _____ are areas located along the United States-Mexico border in which factories receive preferential tariff treatment.
Answer: Maquiladoras
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

24) _____ is a free trade agreement among Canada, Mexico, and the United States.
Answer: NAFTA—North American Free Trade Agreement
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

25) _____ and _____ are two issues where significant cultural differences are large, yet progress toward global uniformity is slowly being accepted.
Answer: Bribery, protection of intellectual property
Diff: 3
AACSB: Ethical understanding and reasoning
Learning Outcome: Discuss the role of operations management in corporate social responsibility and sustainability

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26) An organization that has worked to achieve global uniformity in cultural and ethical issues such as bribery, child labor, and environmental regulations is _____.
Answer: the World Trade Organization
Diff: 1
AACSB: Ethical understanding and reasoning
Learning Outcome: Discuss the role of operations management in corporate social responsibility and sustainability

27) Identify five countries from which Boeing's 787 Dreamliner has suppliers.
Answer: Any five of: France, Germany, UK, Italy, Japan, China, South Korea, Sweden, and the United States
Diff: 3
Learning Outcome: Discuss the influences of the global competitive environment on operations management

28) How can global operations improve the supply chain?
Answer: The supply chain can often be improved by locating facilities in countries where unique resources are available.
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

29) How do global operations understand markets?
Answer: Because international operations require interaction with foreign customers, suppliers, and other competitive businesses, international firms inevitably learn about opportunities for new products and services.
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

30) State two examples of cultural and ethical issues that face operations managers in a global environment.
Answer: Student responses will vary, but there are several issues on which there are wide differences from country to country, culture to culture. Among those listed in the text are bribery, child labor, the environment, and intellectual property rights. Students may bring forward from an earlier chapter issues such as environmental regulation or safe work environment, and may raise issues such as product safety.
Diff: 2
AACSB: Ethical understanding and reasoning
Learning Outcome: Discuss the role of operations management in corporate social responsibility and sustainability

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31) Since the early 1990s, residents in a number of developing countries have overcome culture, religious, ethnic, and political productivity barriers. These disappearing barriers coupled with simultaneous advances in technology, reliable shipping, and cheap communication have all led to the growth of what three things?
Answer:
1. World trade
2. Global capital markets
3. International movement of people
Diff: 3
Learning Outcome: Discuss the influences of the global competitive environment on operations management

32) Identify four trade agreements that are facilitating the growth of world trade.
Answer: NAFTA, APEC, SEATO, MERCOSUR, CAFTA
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

Section 2 Determining Missions and Strategies

1) An organization's *strategy* is the purpose or rationale for its existence.
Answer: FALSE
Diff: 1
Objective: LO 2.1 Define mission and strategy

2) An effective operations management effort must have a *strategy* so it knows where it is going and a *mission* so it knows how to get there.
Answer: FALSE
Diff: 2
Objective: LO 2.1 Define mission and strategy

3) A firm should formulate its *strategy* before establishing its *mission*.
Answer: FALSE
Diff: 2
Objective: LO 2.1 Define mission and strategy

4) Which of the following activities takes place most immediately once the mission has been developed?
A) The firm develops alternative or back-up missions in case the original mission fails.
B) The functional areas develop their functional area strategies.
C) The functional areas develop their supporting missions.
D) The ten OM decision areas are prioritized.
E) Operational tactics are developed.
Answer: C
Diff: 2
Objective: LO 2.1 Define mission and strategy

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5) Which of the following statements about organizational missions is FALSE?
A) They reflect a company's purpose.
B) They indicate what a company intends to contribute to society.
C) They are formulated after strategies are known.
D) They define a company's reason for existence.
E) They provide guidance for functional area missions.
Answer: C
Diff: 2
Objective: LO 2.1 Define mission and strategy

6) The fundamental purpose of an organization's mission statement is to:
A) create a good human relations climate in the organization.
B) define the organization's purpose in society.
C) define the operational structure of the organization.
D) generate good public relations for the organization.
E) define the functional areas required by the organization.
Answer: B
Diff: 2
Objective: LO 2.1 Define mission and strategy

7) Which of the following statements is TRUE?
A) Corporate mission is shaped by functional strategies.
B) Corporate strategy is shaped by functional strategies.
C) Functional strategies are shaped by corporate strategy.
D) External conditions are shaped by corporate mission.
E) Functional area missions are merged to become the organizational mission.
Answer: C
Diff: 3
Objective: LO 2.1 Define mission and strategy
AACSB: Reflective thinking

8) According to the authors, which of the following strategic concepts allow firms to achieve their missions?
A) productivity, efficiency, and quality leadership
B) differentiation, cost leadership, and response
C) differentiation, quality leadership, and response
D) distinctive competency, cost leadership, and experience
E) differentiation, distinctive competency, quality leadership, and capacity
Answer: B
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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9) A *strategy* is a(n):
A) set of opportunities in the marketplace.
B) broad statement of purpose.
C) simulation used to test various product line options.
D) plan for cost reduction.
E) action plan to achieve the mission.
Answer: E
Diff: 2
Objective: LO 2.1 Define mission and strategy

10) The _____ is how an organization expects to achieve its missions and goals.
Answer: strategy
Diff: 2
Objective: LO 2.1 Define mission and strategy

11) What is the difference between a firm's mission and its strategy?
Answer: A firm's mission is the purpose or rationale for its existence; whereas, a firm's strategy is how it expects to achieve its mission and goals.
Diff: 2
Objective: LO 2.1 Define mission and strategy

12) Define the functional areas of a typical business.
Answer: Functional areas are the major disciplines required by the firm, such as marketing, finance/accounting, and production/operations.
Diff: 2
Objective: LO 2.1 Define mission and strategy

Section 3 Achieving Competitive Advantage Through Operations

1) Experience differentiation is an extension of product differentiation, accomplished by using people's five senses to create an experience rather than simply providing a service.
Answer: TRUE
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

2) Low-cost leadership is the ability to distinguish the offerings of the organization in a way that the customer perceives as adding value.
Answer: FALSE
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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3) Which of the following is LEAST likely to be a low-cost leadership competitive advantage?
A) low overhead
B) effective capacity use
C) inventory management
D) broad product line
E) mass production
Answer: D
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
AACSB: Reflective thinking
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

4) A firm can effectively use its operations function to yield competitive advantage through all of the following EXCEPT:
A) customization of the product.
B) setting equipment utilization goals below the industry average.
C) speed of delivery.
D) constant innovation of new products.
E) maintaining a variety of product options.
Answer: B
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

5) The ability of an organization to produce goods or services that have some uniqueness in their characteristics is:
A) mass production.
B) time-based competition.
C) competing on productivity.
D) competing on quality.
E) competing on differentiation.
Answer: E
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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6) Which of the following statements best characterizes delivery reliability?
A) a company that always delivers on the same day of the week
B) a company that always delivers at the promised time
C) a company that delivers more frequently than its competitors
D) a company that delivers faster than its competitors
E) a company that has a computerized delivery scheduling system
Answer: B
Diff: 3
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
AACSB: Reflective thinking
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

7) Which of the following is an example of competing on the basis of differentiation?
A) A firm manufactures its product with less raw material waste than its competitors do.
B) A firm's products are introduced into the market faster than its competitors' products are.
C) A firm's distribution network routinely delivers its product on time.
D) A firm offers a much broader product line than its competitors do.
E) A firm advertises more than its competitors do.
Answer: D
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

8) The ability of an organization to produce services that, by utilizing the consumer's five senses, have some uniqueness in their characteristics is:
A) sensory response.
B) time-based competition.
C) differentiation.
D) flexible response.
E) experience differentiation.
Answer: E
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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9) Which of the following best describes *experience differentiation*?
A) immerses consumers in the delivery of a service
B) uses people's five senses to enhance the service
C) complements physical elements with visual and sound elements
D) consumers may become active participants in the product or service
E) All of the these are elements of experience differentiation.
Answer: E
Diff: 1
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

10) *Experience differentiation*:
A) isolates the consumer from the delivery of a service.
B) is an extension of product differentiation in the service sector.
C) uses only the consumer's senses of vision and sound.
D) keeps consumers from becoming active participants in the service.
E) attempts to make the service experience different for every single customer.
Answer: B
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

11) Which of the following is the best example of competing on low-cost leadership?
A) A firm produces its product with less raw material waste than its competitors do.
B) A firm offers more reliable products than its competitors do.
C) A firm's products are introduced into the market faster than its competitors' products are.
D) A firm's research and development department generates many ideas for new products.
E) A firm advertises more than its competitors do.
Answer: A
Diff: 3
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
AACSB: Reflective thinking
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12) Franz Colruyt has achieved low-cost leadership through:
A) effective use of voice mail.
B) plastic, not paper, shopping bags.
C) background music that subtly encourages shoppers to buy more.
D) converting factories, garages, and theaters into retail outlets.
E) exclusive use of the Euro.
Answer: D
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

13) Which of the following is an example of competing on quick response?
A) A firm produces its product with less raw material waste than its competitors do.
B) A firm offers more reliable products than its competitors do.
C) A firm's products are introduced into the market faster than its competitors' products.
D) A firm utilizes its capacity more effectively than its competitors do.
E) A firm advertises more than its competitors do.
Answer: C
Diff: 3
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
AACSB: Reflective thinking
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

14) Response-based competitive advantage can be:
A) flexible response.
B) reliable response.
C) quick response.
D) all of these.
E) none of the these.
Answer: D
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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15) Which of the following is NOT an example of competing on the basis of differentiation?
A) A car manufacturer offers the best warranty in the automobile industry.
B) A firm designs its smart phone product with unique features.
C) A movie theater distinguishes itself by offering cinema suites and dine-in options.
D) A firm offers a much broader product line than its competitors do.
E) A firm advertises more than its competitors do.
Answer: E
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

16) The creation of a unique advantage over competitors is called a(n) _____.
Answer: competitive advantage
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

17) Service organizations can immerse the consumer in the service, or have the consumer become a participant in the service, as they practice _____.
Answer: experience differentiation
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

18) Competitive advantage through operations can be achieved by _____, _____, and/or _____.
Answer: differentiation, low cost, response
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

19) Provide an example of an organization that achieves competitive advantage through experience differentiation. Explain.
Answer: Answers will vary, but Disney and Hard Rock Café are illustrated in the text. Competing on experience differentiation implies providing uniqueness to your service offering through immersion of the consumer into the service, with visual or sound elements to turn the service into an experience.
Diff: 2
Objective: LO 2.2 Identify and explain three strategic approaches to competitive advantage
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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Section 4 Issues in Operations Strategy

1) A resources view is used to identify activities that represent strengths, or potential strengths, and may be opportunities for developing competitive advantage.
Answer: FALSE
Diff: 2

2) In the product life cycle, the best stage to increase market share is *maturity*.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

3) Porter introduced the concept of value-chain analysis.
Answer: TRUE
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

4) Before establishing and implementing strategy, a resources view would ensure that which of the following resources are available?
A) financial
B) physical
C) human
D) technological
E) all of these
Answer: E
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

5) Porter's Five Forces Model is used to evaluate competition based on which 5 aspects?
A) research and development, cost, legal regulations, suppliers, customers
B) immediate rivals, potential entrants, customers, suppliers, and substitute products
C) potential entrants, customers, suppliers, legal regulations, and cost
D) immediate rivals, potential entrants, cost, substitute products, and legal regulations
E) cost, legal regulations, advertising effectiveness, potential entrants, and immediate rivals
Answer: B
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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6) Porter's Five Forces Model contains which of the following?
A) immediate rivals
B) potential entrants
C) customers
D) suppliers
E) all of the these
Answer: E
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

7) Who introduced the concept of value-chain analysis?
A) Ford
B) Toyota
C) Porter
D) Smith
E) Gates
Answer: C
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

8) Value-chain analysis can be used to determine if a business is adding unique value in which of the following areas?
A) product research
B) human resources
C) process innovation
D) quality management
E) all of these
Answer: E
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

9) Which of the following is NOT part of value-chain analysis?
A) product research
B) quality management
C) supply chain management
D) project management
E) human resources
Answer: D
Diff: 2
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10) Which of the following environmental factors has not contributed to Microsoft's changing strategy?
A) Google
B) security issues
C) faster processors
D) the Internet
E) global warming
Answer: E
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

11) Standardization is an appropriate strategy in which stage of the product life cycle?
A) introduction
B) growth
C) maturity
D) decline
E) retirement
Answer: C
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

12) Cost minimization is an appropriate strategy in which stage of the product life cycle?
A) introduction
B) growth
C) adolescence
D) decline
E) retirement
Answer: D
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

13) Which of the following OM strategy/issues should a firm with a product in the maturity stage of its life cycle be LEAST concerned with at the present time?
A) increase capacity
B) long production runs
C) standardization
D) cost cutting
E) fewer rapid product changes
Answer: A
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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14) Given the position of the 3D printer in the growth stage of its life cycle, which of the following OM Strategy/Issues should the makers of 3D printers be least concerned with at the current time?
A) forecasting
B) cost cutting
C) increasing capacity
D) product and process reliability
E) enhancing distribution
Answer: B
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

15) Which of the following has progressed the FURTHEST along its product life cycle?
A) video physical rentals
B) Boeing 787
C) autonomous vehicles
D) virtual reality
E) Xbox One
Answer: A
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

16) Which of the following has made the LEAST progress along its product life cycle?
A) video physical rentals
B) Boeing 787
C) autonomous vehicles
D) virtual reality
E) Xbox One
Answer: C
Diff: 2
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

17) _____ is the stage in the product life cycle at which it is a poor time to change quality.
Answer: Maturity
Diff: 2

18) Forecasting is especially critical at the _____ stage in the product life cycle.
Answer: Growth
Diff: 2
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Section 5 Strategy Development and Implementation

1) *Key success factors* and *core competencies* are synonyms.
Answer: FALSE
Diff: 2
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

2) SWOT analysis is a method of determining external strengths and weaknesses and internal opportunities and threats.
Answer: FALSE
Diff: 2
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

3) Key success factors are those activities that are key to achieving comparative advantage.
Answer: FALSE
Diff: 2
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

4) Which of the following statements is most correct?
A) KSFs are often necessary, but not sufficient for competitive advantage.
B) KSFs are often sufficient, but not necessary for competitive advantage.
C) KSFs are neither necessary nor sufficient for competitive advantage.
D) KSFs are both necessary and sufficient for competitive advantage.
E) None of these statements are correct.
Answer: A
Diff: 3
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

5) A SWOT analysis determines:
A) internal strengths and weaknesses and internal opportunities and threats.
B) internal strengths and weaknesses and external opportunities and threats.
C) external strengths and weaknesses and internal opportunities and threats.
D) external strengths and weaknesses and external opportunities and threats.
E) internal strengths and opportunities and external weaknesses and threats.
Answer: B
Diff: 1
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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6) Define *core competencies.*
Answer: A set of skills, talents, and capabilities in which a firm is particularly strong.
Diff: 2
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

7) What is SWOT analysis? List its four elements and describe its purpose.
Answer: The four elements of SWOT are strengths, weaknesses, opportunities, and threats. Its purpose is to maximize opportunities and minimize threats in the environment, while maximizing the advantages of the organization's strengths and minimizing the weaknesses.
Diff: 2
Objective: LO 2.3 Understand the significance of key success factors and core competencies
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

8) Starbucks is one of the best-known coffeehouse chains in the world. Each store sells a variety of innovative products to complement the array of coffee choices available. However, nearly half of the current stores are located in the United States and the expensive nature of the coffee leaves Starbucks vulnerable to changes in consumer spending behavior (such as recessions). Starbucks has begun initiatives to sell its specialty coffee beans for home use, presenting a chance for a large increase in revenue and diversification. However, Starbucks faces fierce competition seeking a piece of its lucrative market share and the threat of consumer behavior changes, given its reputation rides on a singular product. Perform a SWOT analysis for Starbucks.
Answer: Strengths—High profit specialty coffee, well-known brand image, extensive global supply chain
Weaknesses—Many stores located in the United States, most profits come from coffee (both are lack of diversification), higher price points
Opportunities—Emerging market in coffee beans for home use, chance for global expansion, diversification of product mix
Threats—Intense competition, consumer behavior changes (less spending during a recession on its luxury coffee, change in beverage preferences)
Diff: 2
Objective: LO 2.3 Understand the significance of key success factors and core competencies
AACSB: Reflective thinking
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

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9) Perform a SWOT analysis of Boeing's 787 Dreamliner using the information presented in the text.
Answer: Strengths—Technological advances (8% increase in fuel efficiency, electronic maintenance monitoring)
Weaknesses—Diverse suppliers and assembly locations leave Boeing vulnerable to currency exchange rates and make quality control difficult
Opportunities—one of fastest-selling commercial jets ever gives Boeing a chance to increase market share, Boeing can parlay its use of diverse supplier locations into diversifying customer base
Threats—competition from Airbus, divestment of the manufacture process risks losing company trade secrets (competitive advantage)
Diff: 3
Objective: LO 2.3 Understand the significance of key success factors and core competencies
AACSB: Reflective thinking
Learning Outcome: Discuss operations and operations management as a competitive advantage for the organization

Section 6 Strategic Planning, Core Competencies, and Outsourcing

1) Outsourcing is the practice of transferring a firm's activities that have traditionally been internal to external suppliers.
Answer: TRUE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

2) Outsourcing is the practice of moving a business process to a foreign country but retaining control of it.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

3) Core competencies are good candidates for outsourcing.
Answer: FALSE
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

4) The theory of *competitive* advantage implies that you should allow another firm to perform work activities for your company if that company can do it more productively than you can.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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5) The theory of *comparative* advantage implies that you should allow another firm to perform work activities for your company if that company can do it more productively than you can.
Answer: TRUE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

6) The term *renewal* has been created to describe the return of business activity to the originating country.
Answer: FALSE
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

7) What is the practice of transferring a firm's activities that have traditionally been internal to external suppliers?
A) nearshoring
B) farshoring
C) offshoring
D) outsourcing
E) backsourcing
Answer: D
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

8) Outsourcing is simply an extension of the long-standing practice of:
A) subcontracting.
B) importing.
C) exporting.
D) postponement.
E) e-procurement.
Answer: A
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

9) Outsourcing manufacturing is also known as:
A) license manufacturing.
B) sublease manufacturing.
C) concurrent manufacturing.
D) hollow manufacturing.
E) contract manufacturing.
Answer: E
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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10) What theory implies that you should allow another firm to perform work activities for your company if that company can do it more productively than you can?
A) theory of competitive advantage
B) theory of core competencies
C) theory of comparative advantage
D) theory of outsourcing
E) theory of offshoring
Answer: C
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

11) Which of the following statements is most accurate?
A) Nearly all outsourcing relationships do not last beyond two years.
B) Nearly all U.S. firms that outsourced processes to India have backsourced them.
C) Approximately half of all outsourcing agreements fail.
D) Outsourcing is a relatively risk-free activity.
E) More than 90% of outsourcing agreements succeed.
Answer: C
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

12) Which of the following is NOT an advantage of outsourcing?
A) cost savings
B) gaining outside expertise
C) improving operations and service
D) outsourcing core competencies
E) accessing outside technology
Answer: D
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

13) Advantages of outsourcing do NOT include:
A) cost savings.
B) gaining outside expertise.
C) maintaining a focus on core competencies.
D) accessing outside technology.
E) potential creation of future competition.
Answer: E
Diff: 1
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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14) An operations manager is performing a factor-rating analysis to help her choose an outsourcing provider. She is focusing on three factors: A, B, and C, with weights of .30, .20, and .50, respectively. She has scored one potential outsourcer, Ling Services, on each of the factors using a scale of 10-50. Ling Services received a score of 30 for factor A, 46 for factor B, and 22 for factor C. What is the factor-rating score for Ling Services?
A) 98.0
B) 32.7
C) 21.8
D) 29.2
E) 30.8
Answer: D
Diff: 2
Objective: LO 2.4 Use factor rating to evaluate both country and outsource providers
AACSB: Analytical thinking
Learning Outcome: Discuss the influences of the global competitive environment on operations management

15) An operations manager is performing a factor-rating analysis to help him choose an outsourcing provider. He is focusing on two factors: A and B, using a weight of 75% for factor A and 25% for factor B. He has scored five different potential providers on both factors, using a scale of 1-5, with 1 representing the BEST score. Based on the scores provided in the table below, which provider should be chosen?

Provider	Factor A	Factor B
Alpha	1	5
Beta	3	3
Gamma	4	1
Phi	-3	1
Omega	3	5

A) Alpha
B) Beta
C) Gamma
D) Phi
E) Omega
Answer: A
Diff: 2
Objective: LO 2.4 Use factor rating to evaluate both country and outsource providers
AACSB: Analytical thinking
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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16) _____ is the practice of transferring a firm's activities that have traditionally been internal to external suppliers.
Answer: Outsourcing
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

17) Outsourcing manufacturing is also known as _____.
Answer: contract manufacturing
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

18) Outsourcing is an extension of the long-standing practice of _____ production activities.
Answer: subcontracting
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

19) The theory of _____ implies that you should allow another firm to perform work activities for your company if that company can do it more productively than you can.
Answer: comparative advantage
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

20) The return of business activity to the originating country is known as _____.
Answer: reshoring
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

21) Identify three factors fueling the continuing growth of outsourcing.
Answer: (1) increased technological expertise, (2) more reliable and cheaper transportation, and (3) the rapid development and deployment of advancements in telecommunications and computers.
Diff: 3
Learning Outcome: Discuss the influences of the global competitive environment on operations management

22) Identify five main advantages of outsourcing.
Answer: (1) cost savings, (2) gaining outside expertise, (3) improving operations and service, (4) maintaining a focus on core competencies, and (5) accessing outside technology
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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23) Identify five main disadvantages of outsourcing.
Answer: (1) increased logistics and inventory costs, (2) loss of control (quality, delivery, etc.), (3) potential creation of future competition, (4) negative impact on employees, and (5) risks may not manifest themselves for years
Diff: 2
Learning Outcome: Discuss the influences of the global competitive environment on operations management

24) A company is choosing an outside firm to provide its payroll services. It has chosen four comparative categories of interest: client reviews, financial condition, IT capabilities, and government stability. These categories have been assigned weights of 20%, 10%, 40%, and 30%, respectively. Three potential providers were scored on each of those factors (see table below) using a scale of 1-10, with a score of 1 meaning worst possible and 10 meaning best possible. Using the factor-rating method, which provider should be chosen?

	Provider A	Provider B	Provider C
Client reviews	2	6	10
Financial condition	8	4	2
IT capabilities	5	8	2
Government stability	3	1	2

Answer: Provider A: 2(.2) + 8(.1) + 5(.4) + 3(.3) = 4.1
Provider B: 6(.2) + 4(.1) + 8(.4) + 1(.3) = 5.1
Provider C: 10(.2) + 2(.1) + 2(.4) + 2(.3) = 3.6
Since a high score implies best performance in this problem, Provider B should be chosen.
Diff: 2
Objective: LO 2.4 Use factor rating to evaluate both country and outsource providers
AACSB: Analytical thinking
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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25) A company is deciding between 2 foreign firms to provide its call center services. A factor-rating method is used. Factors are rated on a scale of 1-10, with 10 being the best score.
A: If the factors are weighted equally (respective weights of .3333), which firm is preferred?
B: Suppose a consultant recommended that Factor 2 be twice as important as Factor 1, while Factor 3 should be three times as important as Factor 2. Which firm is best now using a weighted method? (Round your weights to the nearest four decimal places.)

Firm	Factor 1	Factor 2	Factor 3
A	6	7	10
B	8	9	8

Answer: A: Firm A = 6(.3333) + 7(.3333) + 10(.3333) = 7.67, Firm B = 8(.3333) + 9(.3333) + 8(.3333) = 8.33, so Firm B is preferred
B: To find the new weights, let X = weight of Factor 1. Then 100% = X + 2X + 3(2X), or 1 = 9X, or X = .1111. Thus, Factor 1 has a weight of 11.11%, Factor 2 has a weight of 2(11.11%) = 22.22%, and Factor 3 has a weight of 3(22.22%) = 66.66%.
The scores are: Firm A = 6(.1111) + 7(.2222) + 10(.6666) = 8.88. Firm B = 8(.1111) + 9(.2222) + 8(.6666) = 8.22, so Firm A is preferred.
Diff: 2
Objective: LO 2.4 Use factor rating to evaluate both country and outsource providers
AACSB: Analytical thinking
Learning Outcome: Discuss the influences of the global competitive environment on operations management

Section 7 Global Operations Strategy Options

1) A multinational corporation is a firm with extensive international business involvement.
Answer: TRUE
Diff: 1
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

2) The multidomestic OM strategy maximizes local responsiveness while achieving a significant cost advantage.
Answer: FALSE
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

3) Firms using the global strategy can be thought of as "world companies."
Answer: FALSE
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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4) A global strategy uses exports and licenses to penetrate the global arena.
Answer: FALSE
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

5) Which of the international operations strategies involves high cost reductions and high local responsiveness?
A) international strategy
B) global strategy
C) transnational strategy
D) multidomestic strategy
E) worldwide strategy
Answer: C
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

6) Which of the international operations strategies involves low cost reductions and low local responsiveness?
A) international strategy
B) global strategy
C) transnational strategy
D) multidomestic strategy
E) worldwide strategy
Answer: A
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

7) Which of the international operations strategies uses import/export or licensing of existing products?
A) international strategy
B) global strategy
C) transnational strategy
D) multidomestic strategy
E) worldwide strategy
Answer: A
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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8) Which of the international operations strategies uses the existing domestic model globally?
A) international strategy
B) global strategy
C) transnational strategy
D) multidomestic strategy
E) worldwide strategy
Answer: D
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

9) The acronym **MNC** stands for
A) Mexican National Committee (for international trade)
B) Maquiladora Negates Competition
C) Maytag-Nestlé Corporation
D) Multinational Corporation
E) Maritime Navigation Company
Answer: D
Diff: 1
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

10) Caterpillar and Texas Instruments are two firms that have benefited from the use of:
A) the multidomestic strategy option.
B) the international strategy option.
C) the transnational strategy option.
D) the maquiladora system in Europe.
E) the global strategy option.
Answer: E
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

11) Coca Cola and Nestlé are two firms that have benefited from the use of:
A) the multidomestic strategy option.
B) the international strategy option.
C) the transnational strategy option.
D) the maquiladora system in Europe.
E) the global strategy option.
Answer: C
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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12) Which of the following is NOT an example of a global strategy?
A) Apple designs its iPhone identical, regardless of region.
B) IKEA sells standardized, Swedish designed, self-assembly furniture products.
C) Caterpillar provides the same earth-moving equipment in Nigeria as in Iowa.
D) Gillette introduces a new customized product with less design complexity for low-income Indian customers.
E) Procter & Gamble homogenizes products as much as the market allows in order to keep cost low.
Answer: D
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

13) Which of the following is NOT an example of a multidomestic strategy?
A) McDonald's stores in India do not sell sandwiches made of beef.
B) IKEA sells standardized, Swedish designed, self-assembly furniture products.
C) The restaurants in Disneyland Paris feature recipes revised for local tastes and increased outdoor seating.
D) Heinz takes over Honig (Holland) that makes local traditional delicacies.
E) Each Hard Rock Café restaurant is designed to reflect the culture and preferences of its location.
Answer: B
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

14) A(n) _____ is a firm that has extensive involvement in international business, owning or controlling facilities in more than one country.
Answer: multinational corporation (MNC)
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

15) The _____ strategy utilizes a standardized product across countries.
Answer: global
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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16) The _____ strategy uses exports and licenses to penetrate globally.
Answer: international
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

17) The _____ strategy uses subsidiaries, franchises, or joint ventures with substantial independence.
Answer: multidomestic
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

18) The _____ strategy describes a condition in which material, people, and ideas cross or transgress national boundaries.
Answer: transnational
Diff: 2
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

19) Identify and explain the four basic global operations strategies. Give an example of each strategy.
Answer: The *multidomestic strategy* decentralizes operating decisions to each country to enhance local responsiveness. An example is Heinz. The *global strategy* centralizes operating decisions, with headquarters coordinating the standardization and learning between facilities. The textbook names Texas Instruments and Caterpillar. The *international strategy* uses exports and licenses to penetrate the global markets. Harley-Davidson is an example. The *transnational strategy* exploits the economies of scale and learning, as well as pressure for responsiveness, by recognizing that core competence does not reside in just the "home" country, but can exist anywhere in the organization. An example is Coca-Cola.
Diff: 3
Objective: LO 2.5 Identify and explain four global operations strategy options
Learning Outcome: Discuss the influences of the global competitive environment on operations management

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