Purchasing and Supply Management 16th edition Johnson Solutions Manual

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Chapter 02 Quiz Key

1. Normally, most organizational objectives can be summarized as:

A. marketing, management, finance, and operations.
B. leadership, market share, earnings per share, and return on investment.
C. survival, growth, financial, and sustainability.
D. profitability, return on investment, liquidity, and shareholder value.
E. growth, maintenance, new products, and asset management.

First, management must develop objectives that will ensure organizational survival, then the focus can shift to growth objectives including growth, financial targets and sustainability objectives.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Topic: Levels of strategic planning

2. Supply strategies that are based on changes in demand and supply are known as:

A. assurance-of-supply strategies.
B. risk-management strategies.
C. cost-reduction strategies.
D. environmental-change strategies.
E. supply chain support strategies.

Assurance-of-supply strategies are designed to ensure that future supply needs are met. Therefore, it is critical that supply understand current and future demand for each requirement and current and future availability of supply.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Topic: Strategic planning in suppply manangement

3. A zero defects quality strategy emphasizes:

A. “it is the process, not the people.”
B. “quality is free.”
C. “conformance to specification.”
D. “do it right the first time.”
E. “six sigma.”

To attain zero defects, the output (goods or services) must be made/delivered correctly the first time. Defects will show up somewhere along the supply chain, for example, in increased levels of safety stock raw material, work-in-process, or finished goods inventory. For a service, defects may lead to a service being provided a second time if possible, a lost sale, or worse a lost customer.

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

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4. When developing supply strategies, the supply manager must determine:

A. what to make or buy.
B. when to buy.
C. how much to buy.
D. how it should be ordered.
E. what to make or buy, when to buy, how much to buy and how it should be ordered.

All these questions must be answered as part of strategy development. The key considerations are: (1) Should we make it or pay someone else to make it? (2) Should we buy now (forward buy) or wait? (3) What quantities should we order? and (4) How should we order – e.g., what process (e-commerce or competitive bids?)

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Topic: Strategic components

5. When developing strategies related to "how to buy," decisions must be made about:

A. make or buy.
B. size of inventories.
C. insource or outsource.
D. systems and processes.
E. level of quality.

Deciding how to do something means developing a process. Once defined, systems and procedures are developed to enable an efficient and effective process. The other answers are part of a supply strategy, but do not relate directly to "how to buy."

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Topic: Strategic components

6. Supply strategies that are designed to anticipate and recognize shifts in the economy, organization, people, legal, government regulations and controls, and technologies are:

A. environmental change strategies.
B. change management strategies.
C. total cost strategies.
D. internal management strategies.
E. supply assurance strategies.

All the areas listed in the question are part of the competitive environment in which an organization functions.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Topic: Strategic planning in suppply manangement

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7. Three major challenges facing supply executives when setting supply strategies and objectives are:

A. (1) How can we simultaneously provide uninterrupted supply and minimize inventory? (2) How can we improve quality while reducing our supply base? and, (3) How can we increase our involvement in outsourcing decisions?
B. (1) What is the effective interpretation of corporate objectives and supply objectives? (2) What is the appropriate action plan or strategy to achieve the desired objectives? and, (3) How can supply issues be identified and integrated into organizational objectives and strategies?
C. (1) Should we have a centralized or decentralized purchasing structure? (2) Should we hire managers trained in supply management or in technical fields? and, (3) Should we outsource any or all of the purchasing function?
D. (1) Should we pre-certify suppliers? (2) Should we allow internal users to purchase certain categories of purchases? and, (3) Should we increase or decrease the number of suppliers in our supply base?
E. (1) How many suppliers should we do business with? (2) Which suppliers should we select? and, (3) What type of relationship should we have with these suppliers?

While all these questions eventually must be answered in a well-run supply organization, the questions most relevant to strategy development – long-term planning, are those linking organizational strategy to supply strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Topic: Major challenges in setting supply objectives and strategies

8. A strategy is:

A. an action plan to maximize rewards in the current period in return for big risks.
B. a procedure for allocating resources among functions in the organization.
C. an action plan to achieve specific long-term goals and objectives.
D. an action plan to achieve specific operational and tactical goals.
E. a vision of the future of an organization.

By definition, a strategy is focused on the longer-term and how (the action plan) goals and objectives might be met.

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

9. The question: “How can supply and the supply chain contribute effectively to organizational objectives and strategy?” is a key question in:

A. supplier relationship management.
B. strategic sourcing.
C. supplier network management.
D. supply chain management.
E. strategic supply management.

This question is the starting point for the development of an effective supply strategy. Supplier relationship management, strategic sourcing and supplier network management are activities within strategic supply management; these actions are means and the end is effectively contributing to organizational objectives and strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Topic: Strategic planning in suppply manangement

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10. When a supply-related risk exists, the supply management team should:

A. identify and classify risks, assess possible impact, develop a mitigation strategy, inform the chief supply officer, await instructions, and implement the directive.
B. seek input from other functional areas, compile the ideas, and submit them to senior management.
C. review the existing risk mitigation plan, suggest revisions, and await instructions.
D. confer with relevant parties, provide requested data, and implement senior management's mitigation strategy.
Part of supply's strategic contribution includes its proactive role in risk management, which includes identifying and classifying risks, assessing potential impact, and developing a mitigation strategy. If supply were purely operational, then it would take a reactive role and follow the directives from others in the organization.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Topic: Risk management

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Chapter 02 Quiz Summary

Category	*# of Questions*
AACSB: Analytical Thinking	2
AACSB: Reflective Thinking	8
Accessibility: Keyboard Navigation	10
Blooms: Apply	3
Blooms: Remember	6
Blooms: Understand	1
Difficulty: 1 Easy	6
Difficulty: 2 Medium	2
Difficulty: 3 Hard	2
Topic: Levels of strategic planning	1
Topic: Major challenges in setting supply objectives and strategies	1
Topic: Risk management	1
Topic: Strategic components	3
Topic: Strategic planning	1
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