

Supply Chain Management, 5e (Chopra/Meindl)

Chapter 2 Supply Chain Performance: Achieving Strategic Fit and Scope

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: Analytic Skills

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

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

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

5) 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

6) The degree of supply chain responsiveness should be consistent with the implied uncertainty.

Answer: TRUE

Diff: 1

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

7) The degree of supply chain responsiveness does not need to be consistent with the implied uncertainty.

Answer: FALSE

Diff: 2

Topic: 2.2 Achieving Strategic Fit

8) To achieve complete strategic fit, a firm must ensure that all functions in the value chain have consistent strategies that support the competitive strategy.

Answer: TRUE

Diff: 2

Topic: 2.2 Achieving Strategic Fit

9) 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 Achieving Strategic Fit

10) 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 Achieving Strategic Fit

11) 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 Achieving Strategic Fit

12) 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 Achieving Strategic Fit

13) A company will fail if there is a lack of strategic fit or because its overall supply chain design, processes, and resources do not provide the capabilities to support the maximum strategic fit.

Answer: FALSE

Diff: 3

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

14) The following situation would likely work well. A situation in which marketing is publicizing a company's ability to provide a large variety of products very quickly; simultaneously, distribution is targeting the lowest cost means of transportation.

Answer: FALSE

Diff: 1

Topic: 2.2 Achieving Strategic Fit

AACSB: Reflective Thinking Skills

15) 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: Analytic Skills

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.

E) determines how it will obtain and maintain the appropriate set of skills and abilities to meet customer needs.

Answer: A

Diff: 2

Topic: 2.1 Competitive and Supply Chain Strategies

AACSB: Reflective Thinking Skills

2) 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.

E) determines how it will obtain and maintain the appropriate set of skills and abilities to meet customer needs.

Answer: B

Diff: 1

Topic: 2.1 Competitive and Supply Chain Strategies

3) 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.

E) determines how it will obtain and maintain the appropriate set of skills and abilities to meet customer needs.

Answer: C

Diff: 2

Topic: 2.1 Competitive and Supply Chain Strategies

4) 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.

E) determines how it will obtain and maintain the appropriate set of skills and abilities to meet customer needs.

Answer: D

Diff: 1

Topic: 2.1 Competitive and Supply Chain Strategies

5) 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

E) none of the above

Answer: D

Diff: 1

Topic: 2.1 Competitive and Supply Chain Strategies

6) 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
- E) none of the above

Answer: A

Diff: 2

Topic: 2.1 Competitive and Supply Chain Strategies

7) 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
- E) all of the above

Answer: B

Diff: 1

Topic: 2.1 Competitive and Supply Chain Strategies

8) A supply chain strategy involves decisions regarding

- A) inventory.
- B) transportation.
- C) operating facilities.
- D) information flows.
- E) all of the above

Answer: E

Diff: 2

Topic: 2.1 Competitive and Supply Chain Strategies

9) A supply chain strategy involves decisions regarding all of the following except

- A) inventory.
- B) transportation.
- C) new product development.
- D) operating facilities.
- E) information flows.

Answer: C

Diff: 2

Topic: 2.1 Competitive and Supply Chain Strategies

10) Which of the following is **not** a key to the success or failure of a company?

- A) The competitive strategy and all functional strategies must fit together to form a coordinated overall strategy.
- B) The competitive strategy and all functional strategies operate independently of each other.
- C) The different functions in a company must appropriately structure their processes and resources to be able to execute strategies successfully.
- D) Each functional strategy must support other functional strategies and help a firm reach its competitive strategy goal.
- E) All of the above are keys to success.

Answer: B

Diff: 2

Topic: 2.2 Achieving Strategic Fit

11) Which of the following are basic steps to achieving strategic fit?

- A) Understanding the customer and supply uncertainty.
- B) Understanding the supply chain capabilities.
- C) Achieving strategic fit.
- D) All of the above are basic steps to achieving strategic fit.
- E) None of the above are a basic step to achieving strategic fit.

Answer: D

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

12) 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.
- E) none of the above

Answer: B

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

13) 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.
- E) none of the above

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

14) Which of the following customer needs will cause implied uncertainty of demand to decrease?

- A) Range of quantity required increases
- B) Lead time decreases
- C) Variety of products required increases
- D) Required service level increases
- E) none of the above

Answer: E

Diff: 2

Topic: 2.2 Achieving Strategic Fit

15) 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
- E) none of the above

Answer: B

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

16) Which of the following is **not** a characteristic of customer demand correlated with implied uncertainty?

- A) Product margin
- B) Unpredictable and low yields
- C) Average stockout rate
- D) Average forced season end markdown
- E) None of the above are correlated with implied uncertainty.

Answer: B

Diff: 2

Topic: 2.2 Achieving Strategic Fit

17) Which of the following is **not** a supply chain capability that will impact supply uncertainty?

- A) Evolving production process
- B) Inflexible supply capacity
- C) Limited supply capacity
- D) Product margin
- E) Unpredictable and low yields

Answer: D

Diff: 2

Topic: 2.2 Achieving Strategic Fit

- 18) 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.
 - E) none of the above

Answer: B

Diff: 3

Topic: 2.2 Achieving Strategic Fit

- 19) 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.
 - E) none of the above

Answer: A

Diff: 3

Topic: 2.2 Achieving Strategic Fit

- 20) 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.
 - E) all of the above

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

- 21) Supply chain responsiveness includes the ability to do which of the following?
- A) Handle supply uncertainty
 - 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
 - E) none of the above

Answer: A

Diff: 2

Topic: 2.2 Achieving Strategic Fit

22) Supply chain responsiveness includes the ability to do which of the following?

- A) Understand customers and supply chain
- B) Meet a very high service level
- 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
- E) none of the above

Answer: B

Diff: 2

Topic: 2.2 Achieving Strategic Fit

23) Supply chain responsiveness includes the ability to do which of the following?

- A) Understand customers and supply chain
- B) Match supply chain responsiveness with the implied uncertainty of demand
- C) Meet short lead times
- D) Ensure that all functional strategies within the supply chain support the supply chain's level of responsiveness
- E) all of the above

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

24) 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.
- E) none of the above

Answer: B

Diff: 1

Topic: 2.2 Achieving Strategic Fit

25) 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.
- E) none of the above

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

26) 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.
- E) neither responsiveness nor cost performance.

Answer: A

Diff: 1

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

27) 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.
- E) none of the above

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

28) 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.
- E) none of the above

Answer: D

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

29) 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, such as the CEO.
- D) middle management.
- E) sales and marketing.

Answer: C

Diff: 3

Topic: 2.2 Achieving Strategic Fit

- 30) The important points to remember about achieving strategic fit are
- A) there is one best supply chain strategy for all competitive strategies.
 - B) there is no right supply chain strategy independent of the competitive strategy.
 - C) there is a right supply chain strategy for a given competitive strategy.
 - D) all of the above
 - E) B and C only

Answer: E

Diff: 3

Topic: 2.2 Achieving Strategic Fit

- 31) 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.
 - E) set up a supply chain that meets the needs of product with the highest implied uncertainty.

Answer: C

Diff: 3

Topic: 2.2 Achieving Strategic Fit

- 32) Which of the following would not be a demand and supply characteristic toward the beginning stages of a product's life cycle?
- A) Demand is very uncertain and supply may be unpredictable.
 - B) Demand has become more certain and supply is predictable.
 - C) Margins are often high and time is crucial to gaining sales.
 - D) Product availability is crucial to capturing the market.
 - E) Cost is often of secondary consideration.

Answer: B

Diff: 2

Topic: 2.2 Achieving Strategic Fit

- 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.
 - E) none of the above

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

34) Which of the following would not be a demand and supply characteristic in the later 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.
- E) All of the above are characteristics of the later stages.

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

35) The functions and stages that devise an integrated strategy with a shared objective are referred to as

- A) competitive strategy.
- B) supply chain strategy.
- C) scope of strategic fit.
- D) scope of marketing strategy.
- E) scope of product development strategy.

Answer: C

Diff: 2

Topic: 2.3 Expanding Strategic Scope

36) 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: 3

Topic: 2.1 Competitive and Supply Chain Strategies

37) 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

38) 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

39) 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 Achieving Strategic Fit

AACSB: Reflective Thinking Skills

40) For a company to achieve strategic fit, it must accomplish the following keys:

- A) All functional strategies must fit together to form a coordinated overall strategy.
- B) The different functions in a company must appropriately structure their processes and resources to be able to execute these strategies successfully
- 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 be aligned to support the supply chain strategy.

Answer: C

Diff: 2

Topic: 2.2 Achieving Strategic Fit

AACSB: Analytic Skills

41) 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 Achieving Strategic Fit

AACSB: Analytic Skills

42) 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: B

Diff: 3

Topic: 2.3 Expanding Strategic Scope

43) 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: 2.3 Expanding Strategic Scope

44) Which of the following is **NOT** a challenge that makes it increasingly difficult for supply chains to achieve strategic fit?

- A) Globalization
- B) Changing Technology
- C) Shorter Life Cycles
- D) Decreasing Product Variety

Answer: D

Diff: 2

Topic: 2.4 Challenges to Achieving and Maintaining Strategic Fit

AACSB: Analytic Skills

2.3 Essay Questions

1) 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:

1. 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.
2. 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 Achieving Strategic Fit

2) List and explain the three basic steps to achieving strategic fit.

Answer: There are three basic steps to achieving strategic fit:

1. 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.
2. 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.
3. 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 Achieving Strategic Fit

3) List the attributes along which customer demand from different segments can vary.

Answer: In general, customer demand from different segments may vary along several attributes as follows:

- The quantity of the product needed in each lot
- The response time that customers are willing to tolerate
- The variety of products needed
- The service level required
- The price of the product
- The desired rate of innovation in the product

Diff: 2

Topic: 2.2 Achieving Strategic Fit

4) List the abilities included in supply chain responsiveness.

Answer: Supply chain responsiveness includes a supply chain's ability to do the following:

- Respond to wide ranges of quantities demanded
- Meet short lead times
- Handle a large variety of products
- Build highly innovative products
- Meet a very high service level
- Handle supply uncertainty

Diff: 2

Topic: 2.2 Achieving Strategic Fit

5) 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 Achieving Strategic Fit

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: 2.3 Expanding Strategic Scope