

Chapter 01 - Supply Chain Management: An Overview
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Solution Manual for Supply Chain Management: A Logistics Perspective, 11th Edition, C. John Langley, Jr., Robert A. Novack Brian J. Gibson John J. Coyle

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1. The first decade of the twenty-first century was a period of rapid change for organizations, especially businesses.
- a. True
 - b. False

ANSWER: True

2. An organization practicing sustainable supply chain management expects its suppliers to conform to the same sustainability standards it holds.
- a. True
 - b. False

ANSWER: True

3. Globalization has had little effect on consumers.
- a. True
 - b. False

ANSWER: False

4. Supply and demand has become less volatile as managers have become more adept at controlling the elements.
- a. True
 - b. False

ANSWER: False

5. Outsourcing is a fairly new concept.
- a. True
 - b. False

ANSWER: False

6. Sustainability reporting is a growing practice, either mandatory or voluntarily, due to the demand for transparency in the supply chains.
- a. True
 - b. False

ANSWER: True

7. It is predicted that social networks such as Facebook and Twitter will influence supply chains because of their impact on customer demand and the speed of information transfer.
- a. True
 - b. False

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ANSWER: True

8. Best-in-class companies have developed a more flexible production schedule that allows for making inventory adjustments in 48 to 72 hours.

- a. True
- b. False

ANSWER: False

9. Beginning in the late 1970s and into the 1980s, the US transportation industry was deregulated. The net result was a less competitive environment.

- a. True
- b. False

ANSWER: False

10. Most retailers are essentially supply chain companies since they:

- a. dominate the consumer market.
- b. own their warehouses and trucks.
- c. buy products produced by others.
- d. engage in off-shore sourcing.

ANSWER: c

11. Which of the following is not one of the external forces driving the rate of change and shaping our economic and political landscape?

- a. Government policy
- b. Technology
- c. Environmental concerns
- d. Globalization

ANSWER: c

12. Outsourcing involves:

- a. moving company facilities away from the home office.
- b. conducting business on a global scale.
- c. obtaining materials, parts, products, and services from other companies.
- d. building a factory in another country.

ANSWER: c

13. Identify the proper sequence of the three "flows" in the supply chain.

- 1. Product
 - 2. Cash
 - 3. Information
- a. 1, 2, 3
 - b. 1, 3, 2
 - c. 2, 1, 3
 - d. 3, 2, 1

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ANSWER: b

14. The demographics of our society has changed because:
- a. the "Baby Boom" generation is aging.
 - b. of the increase in two-career families and single-parent households.
 - c. of immigration.
 - d. birth rates have changed.

ANSWER: b

15. The Supply Chain Concept:
- a. is very new and considered cutting edge technology.
 - b. is highly dependent on computerization.
 - c. is not always well understood by senior managers.
 - d. is developed from the previous physical distribution concept.

ANSWER: d

16. Logistics, in its simplest form,
- a. is a military term, as it was developed originally to supply the battlefield.
 - b. combines inbound logistics with the outbound logistics of physical distribution.
 - c. is another term for transportation management.
 - d. does not involve customer service or other related functions.

ANSWER: b

17. Ten years ago, Southwest Auto Parts would ship a standard number of various parts to all of its 147 locations once a month. Today, Southwest's more sophisticated inventory system monitors the stock at each location and adjusts the number of each part accordingly in the monthly shipment to each store in order to prevent under- or overstocking the stores on any given part. Within an integrated supply chain, this is an example of change in:

- a. product flow.
- b. information flow.
- c. cash flow.
- d. demand flow.

ANSWER: d

18. Which of the following flows only one way as illustrated in the Integrated Supply Chain—Basics figure?
- a. Information
 - b. Products and services
 - c. Financials
 - d. None of these answers

ANSWER: d

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19. Henderson Air manufactures heating and air conditioning units. Once a day, Henderson's computerized inventory system monitors the number of bolts and other fasteners the company needs to maintain production. If the amount of any type of fastener in inventory dips below preset standards, the computer automatically sends an order for more fasteners to Acme Fastener and Tool. This is an example of:

- a. information flowing backward from the customer to the supplier.
- b. information flowing forward from the supplier to the customer.
- c. information flowing laterally between the customer and the supplier.
- d. information flowing forward from the customer to the supplier.

ANSWER: a

20. Acme Fastener and Tool had a six-hour work stoppage yesterday, which means the company does not have its usual number of fasteners stored in inventory. Concerned that the inability to fulfill all current orders may have an adverse effect on some customers, Acme's account executives are notifying all customers, including Henderson Air, that there could potentially be a small delay in delivering some orders. This is an example of:

- a. information flowing backward from the customer to the supplier.
- b. information flowing forward from the supplier to the customer.
- c. information flowing laterally between the customer and the supplier.
- d. information flowing backward from the supplier to the customer.

ANSWER: b

21. The challenge to develop and sustain an efficient and effective supply chain(s) requires organizations to address a number of issues. Which of the following is not included in them?

- a. Complexity
- b. Inventory deployment
- c. Inventory carrying costs
- d. Technology

ANSWER: c

22. Which of the following is not part of the Supply Chain network?

- a. Plants
- b. Stores
- c. Terminals
- d. Distribution centers

ANSWER: b

23. Complexity in the supply chain is caused by:

- a. the number of SKUs.
- b. locations of customers and suppliers.
- c. transportation requirements.
- d. all of these answers.

ANSWER: d

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24. Don is comparing quotes from two different shippers. One shipper has offered a lower price but will require three weeks to ship his products, while the other has offered to deliver the goods to his customer in 10 days, but for a higher price. Don is evaluating:

- a. outbound logistics versus inbound logistics.
- b. cost performance versus schedule performance.
- c. cost versus value.
- d. profit versus customer service.

ANSWER: c

25. Performance measurement is important because:

- a. it allows firms to rate competitors.
- b. without it, managers would not know how the global economy is doing.
- c. companies presently operating in the European Economic Community need to understand how its competitors are doing.
- d. lower-level metrics in an organization must connect directly to the high-level performance to achieve goals.

ANSWER: d

26. A critical outcome of the supply chain is to deliver:

- a. profits.
- b. the right product to the right place.
- c. cost/value.
- d. on management's expectations.

ANSWER: b

27. What is the significance of Globalization in Supply Chain Management?

ANSWER: Arguably, globalization is the most frequently cited change factor by business leaders, and it has replaced the post-World War II Cold War as the dominant driving force in world economics. The concept of the global marketplace or global economy has taken on new meaning for all enterprises (profit and nonprofit; small, medium, and large; products or services) and for individual consumers during the last two decades. Overall, globalization has led to a more competitively intense economic and geopolitical environment. This environment manifests itself in opportunities and threats, both economic and political. Some individuals have implied that there is no "geography" in the current global environment (figuratively speaking) or, perhaps more aptly, that time and distance have been compressed.

28. Explain how today's consumers are empowered and how they impact Supply Chain Management.

ANSWER: Today's consumers are more enlightened and educated, and they are empowered more than ever by the information that they have at their disposal from the Internet and other sources. Their access to supply sources has expanded dramatically beyond their immediate locale by virtue of catalogs, the Internet, and other media. They have the opportunity to compare prices, quality, and service. Consequently, they demand competitive prices, high quality, tailored or customized products, convenience, flexibility, and responsiveness. They tend to have a low tolerance level for poor quality in products and services. Consumers also have increased buying power due to higher income levels. They demand the best quality at the best price and with the best service. These demands place increased challenges and pressure on the various supply chains for consumer products.

29. Describe the concept of an "integrated logistics management" that begins with the supplier's supplier and ends with the

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final consumer, including both outbound-related factors and inbound-related factors. What are the benefits to considering outbound and inbound logistics as a whole?

ANSWER: Supply chain management can be viewed as a pipeline or conduit for the efficient and effective flow of products, materials, services, information, and financials from the supplier's suppliers through the various intermediate organizations or companies out to the customer's customers, or a system of connected networks between the original vendors and the ultimate final consumer. Some of the factors related to inbound logistics include more efficient transportation planning and global sourcing of materials and supplies. The extended enterprise perspective of supply chain management, which considers inbound and outbound logistics as a whole, represents a logical extension of the logistics concept, providing an opportunity to view the total system of interrelated companies for increased efficiency and effectiveness.

30. Discuss how globalization and consolidation in supply have increased complexity.

ANSWER: Globalization and consolidation in supply chains have increased the complexity for organizations in terms of SKUs, customer and supplier locations, transportation requirements, trade regulations, taxes, and so forth. Companies need to take steps to simplify, as much as possible, the various aspects of their supply chains. For example, the number of SKUs has expanded for many companies, which exacerbates problems for inventory management and order fulfillment. Consequently, companies have been rationalizing SKUs to eliminate the slow movers and items that do not contribute to profitability. Locations also need to be analyzed to eliminate high-cost or duplicative operations. Customer service levels need to be rationalized, as do vendors or supplier alternatives. Layers of complexity develop and may seem necessary, but organizations need to continually evaluate those areas of complexity by evaluating processes, training people, and exploiting technology.

31. Discuss how Performance Measurement can affect Supply Chain Management.

ANSWER: Most organizations have measures of performance or metrics in place to analyze and evaluate their efficiency and progress over different time periods. Sometimes, such measures are used for setting baseline performance objectives or expected outcomes, for instance, orders filled and shipped per day. Measurement is important, and at this juncture, it is important to recognize that lower-level metrics in an organization must connect directly to the high-level performance measures of the organization and the supply chain, which are usually net profit, return on investment, or assets and cash flow. In some instances, metrics are set that appear logical for the subunit of the organization but are suboptimal for the overall organization or supply chain. For example, the warehouse manager who is measured by the cost per cubic foot of units stored will be motivated to fill the warehouse to the ceiling.

32. What is the role of Transportation Management in connection with Supply Chains?

ANSWER: Transportation can be viewed as the glue that makes the supply chain model function. The critical outcomes of the supply chain are to deliver the right product, at the right time, in the right quantity and quality, at the right cost, and to the right destination. Transportation plays an important role in making these "rights" happen. Another aspect of the importance of transportation is related to some of the strategies that are being used by companies to remain competitive in today's economy—for example, just-in-time inventory, lean logistics and manufacturing, and scheduled deliveries. The challenge has been exacerbated by economic changes among transportation providers; shortages of drivers, higher fuel costs, and changes in driver hour regulations have led to what some individuals have called a transportation crisis or the "perfect storm." Transportation has gone from being a readily available commodity to potential users, especially in the 1990s, to today where transportation is scarce in some market areas.

33. Of the 11 specific challenges to supply chain management discussed in the chapter, which one do you think is the most significant or would have the greatest impact on an organization? Provide at least one general example to support your answer.

ANSWER: Students' answers will vary, but must demonstrate thoughtful analysis and be supported by one or more

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examples. The 11 challenges are: supply chain networks, complexity, inventory deployment, the abundance of data, cost versus value, organizational relationships, performance measurement, technology, transportation management, supply chain security, and talent management.