

EXAMINATION QUESTIONS AND ANSWERS

Chapter 2 Organizational Issues

True/False Questions

1. The lower purchasing is on the organization chart, the less impact the supply function will have on corporate strategy.

Answer: True

2. The degree of competition for critical materials will be a key factor in the importance of supply management.

Answer: True

3. Even in a firm, which primarily purchases small numbers of standard production parts, the supply department can be a significant value as a profit center.

Answer: False

4. The “mind set” or focus on internal processes usually produces the kind of detailed work necessary to achieve significant material savings.

Answer: False

5. The smaller the organization, the less likely the purchasing operations will be strategic.

Answer: True

6. Supplier relationship management includes motivation, assistance, incentives, cooperation, collaboration and on occasion, penalties.

Answer: True

7. Managing supplier relationships is a strategic responsibility.

Answer: False

8. Managing contract and blanket order releases are operational responsibilities.

Answer: True

9. Consolidation provides the opportunity to standardize, simplify and leverage material purchases.

Answer: True

10. Hybrid organizational structures often use cross functional teams to achieve the best of both centralized and decentralized decision making.

Answer: True

11. E-commerce has strengthened the case for decentralization of purchasing.

Answer: False

12. The materials management organization structure is now obsolete.

Answer: False

13. Supply chain management expanded the materials management structure functions to include all the stake holders and total demand management.

Answer: True

14. Cross function teams are often the key step in a firms evolution to supply chain management.

Answer: True

15. Aside from the benefits of synergy, cross functional teams provides input from all affected functions.

Answer: True

16. One of the big challenges and problems with cross functional teams is the lack of time for the team member participation and role conflict.

Answer: True

17. Cross functional teams operate best when they use the brainstorming approach to innovative thinking.

Answer: False

18. The key first step in establishing cross functional teams is obtaining executive sponsorship.

Answer: True

19. Its best to let a cross functional team “train itself” as they learn how to communicate with one another.

Answer: False

20. One of the key skills for any leader is to be an effective listener.

Answer: True

Multiple Choice Questions

21. The importance of supply management in any specific firm is determined by the following factors:

- A) availability of materials and services
- B) absolute dollar volume of purchases
- C) percentage of product cost represented by materials and services
- D) types of materials and services purchased
- E) All of the above

Answer: E

22. Of the purchasing/supply responsibilities and activities, _____ becomes more important as the function becomes responsible for supply and value network chains:
- A) buying supply management
 - B) executive management
 - C) strategic planning and research work
 - D) contract and relationship management
 - E) Supplier liaison work

Answer: C

23. Managing supplier relationships, contracts, placement of purchase orders and other transaction focused activities are _____ responsibilities:
- A) strategic
 - B) short term
 - C) long term
 - D) operational
 - E) action

Answer: D

24. Aside from reducing potential duplication of efforts, the major advantage of centralized purchasing is:
- A) improved inventory control
 - B) leveraged volume purchasing
 - C) consolidation
 - D) transportation savings
 - E) lower administrative costs

Answer: B

25. When a firm's major activity is research and development, the firm will most likely use:
- A) centralized purchasing
 - B) headquarter purchasing
 - C) decentralized purchasing
 - D) hybrid purchasing structure
 - E) a specialized purchasing staff at headquarters

Answer: C

26. E-commerce has facilitated the use of:
- A) centralized purchasing
 - B) decentralized purchasing
 - C) hybrid purchasing

- D) none of the above
- E) A, B & C

Answer: C

27. The materials management organization structure paved the way for _____ structure:
- A) value network chain structures
 - B) supply chain management structure
 - C) procurement management structure
 - D) purchasing centralization
 - E) purchasing decentralization

Answer: B

28. The most significant advantage of the supply chain management structure is:
- A) it facilitated a total systems approach to stimulate integration
 - B) it uses the internet to extract key information
 - C) it increases the visibility of the purchasing department
 - D) it focuses management attention on quality
 - E) it reveals that inventory costs are often understated

Answer: A

29. Cross functional teams have proven to help:
- A) break down functional silos
 - B) reduce new product development time
 - C) facilitate integrated planning and coordination
 - D) stimulate engineering change management control
 - E) all of the above

Answer: E

30. The key prerequisite to having cross functional teams is:
- A) effective team leaders
 - B) qualified team members
 - C) a clear team charter
 - D) adequate training
 - E) executive sponsorship

Answer: E