

Global Manufacturing and Supply-Chain Management

1) In order to assure the quality of its products, Samsonite _____.

- A) performs only internal quality tests
- B) relies only on independent quality-assurance tests
- C) conforms its products to industry-set standards
- D) uses both internal quality tests and independent quality-assurance tests

Answer: D

Diff: 2

Skill: Concept

Objective: 3

2) In order to save costs and consolidate its manufacturing capacity, Samsonite has _____.

- A) decreased investment in R&D
- B) moved from a centralized configuration to a decentralized configuration
- C) increased the amount of final goods and components it outsources
- D) diversified its reseller base

Answer: C

Diff: 2

Skill: Concept

Objective: 1

3) Which term refers to the network that links together the different aspects of the value chain and coordinates materials, information, and funds from the initial raw-material supplier to the ultimate customer?

- A) logistics strategy information system
- B) materials management device
- C) customer service
- D) supply chain

Answer: D

Diff: 1

Skill: Concept

Objective: 2

4) Jordan, a manager at an MNE, is responsible for supervising the transportation and storage of materials and final goods. Jordan is most likely a manager involved with _____.

- A) quality control
- B) offshoring
- C) logistics
- D) inventory management

Answer: C

Diff: 2

Skill: Application

Objective: 2

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5) Inbound logistics is also known as _____.

- A) internal logistics
- B) materials management
- C) the internal supply chain
- D) value-added management

Answer: B

Diff: 1

Skill: Concept

Objective: 2

6) Which of the following best describes a major difference between supply chain management and logistics?

- A) Supply chain management involves handling suppliers and customers.
- B) Logistics involves longer distances and international distribution networks.
- C) Supply chain management focuses on transportation and the storage of goods.
- D) Logistics only encompasses the outbound flow of products and materials.

Answer: A

Diff: 2

Skill: Concept

Objective: 2

7) In the context of manufacturing strategy, the degree of consistency between the foreign investment decision and the company's competitive strategy is known as _____.

- A) compatibility
- B) coordination
- C) control
- D) configuration

Answer: A

Diff: 1

Skill: Concept

Objective: 2

8) Gates Manufacturing is striving to improve its performance reliability, speed of delivery, and product reliability. Gates is most likely focusing on a(n) _____ strategy.

- A) flexibility
- B) innovation
- C) dependability
- D) quality

Answer: D

Diff: 2

Skill: Application

Objective: 1

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9) The ability of the production process to make different kinds of products and to adjust the volume of output is known as _____.

- A) quality control
- B) flexibility
- C) dependability
- D) innovation

Answer: B

Diff: 1

Skill: Concept

Objective: 2

10) _____ strategies and the drive for global efficiencies force MNEs to establish economies of scale in manufacturing.

- A) Cost
- B) Quality control
- C) Cost-minimization
- D) Flexibility

Answer: C

Diff: 2

Skill: Concept

Objective: 1

11) A _____ takes into account the complete costs of ownership, such as storing and transporting inventory, and of disposal.

- A) total cost analysis
- B) cost-benefit analysis
- C) make-or-buy decision
- D) flexibility strategy

Answer: A

Diff: 1

Skill: Concept

Objective: 1

12) _____ manufacturing is any manufacturing that takes place in a country different from the home country.

- A) Offshore
- B) Multidomestic
- C) Cost-minimization
- D) Outsourcing

Answer: A

Diff: 1

Skill: Concept

Objective: 2

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13) Bocce Shoes, an Italian firm, set up a production facility in Vietnam to manufacture the firm's line of athletic shoes. Bocce is most likely using a (n) _____ strategy.

- A) dependability
- B) flexibility
- C) innovation
- D) efficiency/cost

Answer: D

Diff: 2

Skill: Application

Objective: 1

14) Which of the following elements is often overlooked when firms estimate the costs of outsourcing to low-wage countries?

- A) language barriers
- B) overabundance of skilled and educated workers
- C) lack of inventory
- D) shipping distances

Answer: D

Diff: 2

Skill: Concept

Objective: 2

15) The manufacturing plants of Orion Computers are located closer to customers rather than in low-wage areas. What is the most likely reason for this strategy?

- A) competitor locations in emerging markets
- B) overseas producers with innovative designs
- C) customer demand for dependability
- D) diversification of product lines

Answer: C

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Application

Objective: 1

16) Which of the following is NOT one of the three basic configurations that MNEs consider when establishing a global manufacturing strategy?

- A) regional manufacturing
- B) centralized manufacturing
- C) multidomestic manufacturing
- D) multicultural manufacturing

Answer: D

Diff: 2

Skill: Concept

Objective: 1

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17) Roland Enterprises, an American company, has a manufacturing facility in France in order to serve customers throughout Europe. Roland is most likely using a _____ manufacturing strategy.

- A) centralized
- B) regional
- C) global
- D) country-specific

Answer: B

Diff: 2

Skill: Application

Objective: 1

18) A multidomestic configuration is most important when _____.

- A) demand in individual countries decreases significantly
- B) exporting is the company's main strategy
- C) demand in individual countries becomes significant
- D) low-priced, standardized products are available

Answer: C

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 1

19) Some companies select locations in different countries to specialize in the production of parts or final goods, which is known as _____.

- A) centralized manufacturing
- B) the multidomestic approach
- C) offshore manufacturing
- D) rationalization

Answer: D

Diff: 1

Skill: Concept

Objective: 2

20) Deciding whether to establish production facilities in many different countries or in one centralized location is part of the _____.

- A) cultural matrix
- B) Six Sigma process
- C) manufacturing configuration
- D) innovation matrix

Answer: C

Diff: 1

Skill: Concept

Objective: 1

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21) _____ is the linking or integrating of activities into a unified system.

- A) Control
- B) Coordination
- C) Configuration
- D) Compatibility

Answer: B

Diff: 1

Skill: Concept

Objective: 2

22) _____ is the measuring of performance so that companies can respond appropriately to changing conditions.

- A) Coordination
- B) Configuration
- C) Control
- D) Compatibility

Answer: C

Diff: 1

Skill: Concept

Objective: 2

23) Which of the following is NOT a major reason that companies adopt IT systems?

- A) maintaining effective arms' length relationships with customers
- B) producing high-quality products quickly and efficiently
- C) communicating effectively with suppliers
- D) managing inventory levels proficiently

Answer: A

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 2

AACSB: Use of information technology

24) Giga-Mart has an IT system that links the firm's suppliers, manufacturers, customers, and intermediaries. Giga-Mart most likely has a(n) _____,

- A) TQM (total quality management)
- B) JIT (just-in-time)
- C) EDI (electronic data interchange)
- D) ERP (enterprise resource planning)

Answer: C

Diff: 2

Skill: Application

Objective: 2

AACSB: Use of information technology

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25) MedCo uses an IT system that labels a product with an electronic tag to provide realtime information. Which of the following does MedCo most likely use?

- A) EDI (electronic data interchange)
- B) RFID (radio frequency ID)
- C) PTX (private technology exchange)
- D) ERP (enterprise resource planning)

Answer: B

Diff: 2

Skill: Application

Objective: 2

AACSB: Use of information technology

26) Amazon relies on the Internet to join together suppliers with companies and companies with customers. Amazon is most likely using _____.

- A) value-added networks
- B) e-commerce
- C) electronic data interchange
- D) private technology exchange

Answer: B

Diff: 1

Skill: Application

Objective: 2

AACSB: Use of information technology

27) _____ is an online collaboration model that brings manufacturers, distributors, value-added retailers, and customers together to execute trading transactions.

- A) Electronic data interchange (EDI)
- B) ERP (enterprise resource planning)
- C) Private technology exchange (PTX)
- D) E-commerce

Answer: C

Diff: 1

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 2

AACSB: Use of information technology

28) Which of the following is most likely a true statement about using the Internet in supply chain management?

- A) The Internet is universally accessible.
- B) The Internet slows internal processes in a company.
- C) The Internet minimizes efficiency gains to a company's suppliers.
- D) The Internet prevents a deeper level of collaboration and communication.

Answer: A

Diff: 2

Skill: Concept

Objective: 2

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AACSB: Use of information technology

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29) What is the main information-related challenge in global supply chain management?

A) The Internet is growing too quickly in emerging markets.

B) Few countries are technologically advanced.

C) The industrial equipment and food/agriculture industries use e-commerce more than industries such as defense and motor vehicles.

D) Many emerging market networks cannot be managed through the Internet because of the lack of technology.

Answer: D

Diff: 3

Skill: Concept

Objective: 2

AACSB: Use of information technology

30) Quality is defined as _____.

A) meeting or exceeding the expectations of the customer

B) meeting the everyday low price expected by the customer

C) meeting international quality standards, such as ISO 9000

D) meeting internal quality standards

Answer: A

Diff: 1

Skill: Concept

Objective: 3

31) Before the strong emphasis on zero defects, U.S. companies operated under the premise of _____, which allowed a level of poor quality with the assumption that service warranties and repair facilities would deal with product defects.

A) Six Sigma

B) acceptable quality level

C) just-in-time inventory management (JIT)

D) ISO 9000

Answer: B

Diff: 1

Skill: Concept

Objective: 3

32) The Japanese approach to quality is total quality management (TQM), which stresses which of the following principles?

A) employee involvement, commitment to international standards, and customer satisfaction

B) customer satisfaction, continuous improvements, and warranties

C) customer satisfaction, employee involvement, and continuous improvements

D) employee involvement, continuous improvements, and commitment to international quality standards

Answer: C

Diff: 1

Skill: Concept

Objective: 3

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33) An element of total quality management (TQM) that focuses on continuous improvement by identifying problems and enlisting employees to help eliminate them is known as _____.

- A) *kaizen*
- B) Six Sigma
- C) *kanban*
- D) acceptable quality level (AQL)

Answer: A

Diff: 2

Skill: Concept

Objective: 3

34) Fortis Manufacturing Systems uses a highly focused system of quality control that takes a statistical approach and scrutinizes the firm's entire production system. Fortis most likely uses _____.

- A) total quality management
- B) acceptable quality levels
- C) just-in-time processes
- D) Six Sigma processes

Answer: D

Diff: 2

Skill: Application

Objective: 3

35) What are the three levels of quality standards?

- A) general, industry-specific, and company
- B) general, international, and domestic
- C) employee, company, and customer
- D) company, international, and industry-specific

Answer: A

Diff: 2

Skill: Concept

Objective: 3

36) Which of the following is a set of universal standards for a globally accepted quality assurance system?

- A) just-in-time (JIT) inventory management
- B) Six Sigma
- C) total quality management (TQM)
- D) ISO 9000

Answer: D

Diff: 2

Skill: Concept

Objective: 3

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37) _____ is the process of a firm having inputs supplied to it for the production process.

- A) Sourcing
- B) Subcontracting
- C) External production
- D) Offshoring

Answer: A

Diff: 1

Skill: Concept

Objective: 4

38) Alta Designs is considering the idea of global sourcing. What would be the most likely result for Alta Designs?

- A) gain access to more domestic markets
- B) gain access to more domestic products
- C) lower costs and improve quality
- D) shorten lengthy supply lines

Answer: C

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Application

Objective: 4

39) All of the following tend to be more expensive when sourcing abroad, EXCEPT _____.

- A) transportation costs
- B) inventory holding costs
- C) brokers and agents fees
- D) labor rates

Answer: D

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 4

40) ACE Computers established an assembly operation in Malaysia so that it would be close to its key suppliers. ACE is most likely engaging in _____.

- A) industrial clustering
- B) horizontal sourcing
- C) zero sourcing
- D) offshoring

Answer: A

Diff: 2

Skill: Application

Objective: 4

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41) Which of the following would most likely be reduced by vertical integration?

- A) export tariffs
- B) component prices
- C) product returns
- D) transaction costs

Answer: D

Diff: 2

Skill: Concept

Objective: 4

42) Rapid Technologies owns its entire supplier network, which means that the firm most likely uses _____.

- A) industrial clustering
- B) competitive sharing
- C) vertical integration
- D) global outsourcing

Answer: C

Diff: 1

Skill: Application

Objective: 4

43) Japanese _____ are groups of independent companies that work together to manage the flow of goods and services along an entire value chain.

- A) *chaebol*
- B) *keiretsus*
- C) *sigmas*
- D) *kaizen*

Answer: B

Diff: 1

Skill: Concept

Objective: 4

44) In deciding whether to make or buy, MNEs should focus on those parts that are _____ to the product and that they are _____ at making.

- A) critical; distinctively good
- B) incremental; distinctively good
- C) critical; marginally good
- D) incremental; marginally good

Answer: A

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 4

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45) Which of the following is one of the biggest barriers to expanding the use of outsourcing?

- A) long-term independence from an external organization
- B) loss of operational control
- C) cultural opportunities in the organization
- D) language barriers

Answer: B

Diff: 2

Skill: Concept

Objective: 4

AACSB: Analytic Skills

46) Which of the following should an MNE most likely consider in a make-or-buy decision?

- A) organizational hierarchy
- B) supplier capabilities
- C) employee morale
- D) niche markets

Answer: B

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 4

47) A current sourcing dilemma that some companies face is whether or not they should _____.

- A) use outsourcing as a reward to underperforming employees
- B) make critical components for which they have competencies
- C) outsource innovative processes
- D) measure supplier performance

Answer: C

Diff: 2

Skill: Concept

Objective: 4

48) Which of the following is one of the four phases of purchasing globalization?

- A) foreign buying as a part of procurement strategy
- B) complete rejection of domestic purchasing
- C) foreign buying based on want
- D) global purchasing only

Answer: A

Diff: 2

Skill: Concept

Objective: 4

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49) Which of the following is a sourcing strategy in the global context?

- A) use only local purchasing agents
- B) establish local purchasing offices
- C) purchase only from global suppliers
- D) assign domestic buyers for international purchasing

Answer: D

Diff: 2

Skill: Concept

Objective: 4

50) Jeff manages global purchasing for his employer and needs to select a new supplier. Jeff should most likely _____.

- A) implement e-commerce
- B) focus mainly on purchase price
- C) establish clear performance expectations
- D) maintain the same type of relationship with every supplier

Answer: C

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Application

Objective: 4

51) At Fidelity Enterprises, raw materials, parts, and components are acquired from suppliers as they are needed in the manufacturing process so that Fidelity does not have to store large inventories. Which of the following does Fidelity most likely use?

- A) just-in-time (JIT)
- B) total quality management (TQM)
- C) six Sigma
- D) acceptable quality level (AQL)

Answer: A

Diff: 2

Skill: Application

Objective: 5

52) Gibson Enterprises is an MNE that relies on just-in-time inventory management and lean manufacturing systems to optimize quality and efficiency. For the last few years, Gibson has used the same foreign sources for its raw materials. What is the most likely risk faced by Gibson because of foreign sourcing?

- A) quality of incoming inventory
- B) uncertainty of arriving parts
- C) few available suppliers
- D) high inventory costs

Answer: B

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Application

Objective: 5

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- 53) A *kanban* system is best described as a system that _____.
- A) uses special locations for storing imported inventory to avoid paying duties
 - B) seeks to improve quality by setting a rigorous goal of zero defects
 - C) electronically links together suppliers, customers, and intermediaries
 - D) facilitates JIT by using cards to control the flow of production through a factory

Answer: D

Diff: 2

Skill: Concept

Objective: 5

- 54) _____ are special locations for storing domestic and imported inventory in order to avoid paying duties until the inventory is sold.

- A) Foreign trade zones (FTZs)
- B) Ports of entry
- C) Duty-free zones
- D) Customs areas

Answer: A

Diff: 1

Skill: Concept

Objective: 5

- 55) Which of the following is one of the main purposes of FTZs?

- A) discouraging companies to locate in the host country
- B) forcing countries to pay extra duties
- C) discouraging companies from using JIT
- D) allowing countries to defer duties

Answer: D

Diff: 2

Skill: Concept

Objective: 5

- 56) Foreign trade zones (FTZs) can be divided into _____ and _____.

- A) domestic zones; global zones
- B) import zones; export zones
- C) general-purpose zones; subzones
- D) foreign-goods zones; domestic-materials zones

Answer: C

Diff: 2

Skill: Concept

Objective: 5

- 57) _____ is a particularly important consideration in the establishment of a transportation network.

- A) Warehouse configuration
- B) ISO 9000
- C) Rationalization
- D) The *kanban* system

Answer: A

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Diff: 1

Skill: Concept

Objective: 6

58) Which of the following is a current trend with regards to transportation networks?

- A) increased simplicity of transporting goods internationally
- B) decreased use of third-party intermediaries to store and transport goods
- C) increased use of third-party intermediaries to store and transport goods
- D) decreased risks of managing longer global supply chains

Answer: C

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 6

59) All of the following are benefits of using free trade zones EXCEPT _____.

- A) streamlined customs procedures
- B) reduced or eliminated duties
- C) deferred or eliminated taxes
- D) improved quality of goods

Answer: D

Diff: 2

Skill: Concept

Objective: 5

60) In a global supply chain, suppliers must be part of the manufacturer's organizational structure.

Answer: FALSE

Diff: 1

Skill: Concept

Objective: 1

61) Inbound logistics is also known as materials management.

Answer: TRUE

Diff: 1

Skill: Concept

Objective: 2

62) The success of a global manufacturing strategy depends on compatibility, configuration, coordination, and control.

Answer: TRUE

Diff: 1

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 1

63) Configuration is the linking or integrating of activities into a unified system.

Answer: FALSE

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Diff: 1
Skill: Concept
Objective: 2

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64) Cost-minimization strategies force MNEs to establish economies of scale in manufacturing.

Answer: TRUE

Diff: 1

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 1

65) Innovation is the ability of the production process to make different kinds of products and to adjust the volume of output.

Answer: FALSE

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 2

66) Offshore manufacturing is attractive because it offers high labor costs, cheap materials and components, and proximity to markets.

Answer: FALSE

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 2

67) When firms estimate the costs of outsourcing to low-wage countries, they often overlook elements such as shipping distances.

Answer: TRUE

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 2

68) Centralized manufacturing is most widely used when customers have widely varying localized needs.

Answer: FALSE

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 2

AACSB: Analytic Skills

69) Rationalization is the process of specializing in manufacturing according to product or process.

Answer: TRUE

Diff: 1

Skill: Concept

Objective: 2

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70) A comprehensive supply chain strategy should include good inventory management.

Answer: TRUE

Diff: 1

Skill: Concept

Objective: 5

71) EDI is software that can link information flows from different parts of a business and from different geographic areas.

Answer: FALSE

Diff: 2

Skill: Concept

Objective: 2

AACSB: Use of information technology

72) Electronic data interchange (EDI) is an online collaboration model that brings manufacturers, distributors, value-added retailers, and customers together to execute trading transactions.

Answer: FALSE

Diff: 1

Skill: Concept

Objective: 2

AACSB: Use of information technology

73) Independent suppliers can connect to a company's intranet to help automate and organize delivery of components to that company.

Answer: FALSE

Diff: 2

Skill: Concept

Objective: 2

AACSB: Use of information technology

74) The Malcolm Baldrige National Quality Award is an example of a general standard that is presented annually to companies that demonstrate quality strategies and achievements.

Answer: TRUE

Diff: 2

Skill: Concept

Objective: 3

75) The three levels of quality standards are general, international, and industry-specific.

Answer: FALSE

Diff: 2

Skill: Concept

Objective: 3

76) Most U.S. companies have moved from a total quality management (TQM) approach to an acceptable quality level (AQL) approach.

Answer: FALSE

Diff: 2

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Skill: Concept
Objective: 3

77) Six Sigma is a highly focused system of quality control that scrutinizes a company's entire production system.

Answer: TRUE

Diff: 1

Skill: Concept

Objective: 3

78) Sourcing in the home country enables a company to avoid numerous problems associated with global sourcing.

Answer: TRUE

Diff: 1

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 4

79) A company would most likely outsource abroad in order to gain access to more domestic products.

Answer: FALSE

Diff: 1

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 4

80) *Keiretsu* is one of the two major configurations of sourcing.

Answer: FALSE

Diff: 2

Skill: Concept

Objective: 4

81) Vertical integration occurs when the company owns the entire supplier network or at least a significant part of it.

Answer: TRUE

Diff: 1

Skill: Concept

Objective: 4

82) The make-or-buy decision applies only to domestic firms.

Answer: FALSE

Diff: 1

Skill: Concept

Objective: 4

83) A company may use outsourcing as an implied threat to underperforming employees.

Answer: TRUE

Diff: 2

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Skill: Concept
Objective: 4

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84) The use of JIT does not depend on the quality of incoming parts or the time of their arrival.

Answer: FALSE

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 5

85) JIT is the process of sourcing raw materials and parts just as they are needed in the manufacturing process.

Answer: TRUE

Diff: 1

Skill: Concept

Objective: 5

86) Foreign trade zones (FTZs) can be either general-purpose zones or subzones.

Answer: TRUE

Diff: 2

Skill: Concept

Objective: 5

87) Duty-free zones are special locations for storing domestic and imported inventory in order to avoid paying duties until the inventory is sold.

Answer: FALSE

Diff: 1

Skill: Concept

Objective: 5

88) Fewer and fewer companies are using third-party intermediaries to store and transport goods.

Answer: FALSE

Diff: 2

Skill: Concept

Objective: 6

89) Warehouse configuration is a particularly important consideration in the establishment of a transportation network.

Answer: TRUE

Diff: 2

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Concept

Objective: 6

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90) What is a supply chain? How does a supply chain differ from materials management and logistics?
Answer: A company's supply chain encompasses the coordination of materials, information, and funds from the initial raw material supplier to the ultimate customer. Logistics (also called materials management) is an important dimension of the supply chain. Logistics is that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers' requirements. Materials management is inbound logistics or the movement and management of materials and products from purchasing through production. The difference between supply chain management and logistics is one of degree. Logistics focuses much more on the transportation and storage of materials and final goods, whereas supply chain management extends beyond that to include the management of supplier and customer relations.

Diff: 3

Skill: Critical Thinking

Objective: 2

AACSB: Analytic Skills

91) What are the roles of compatibility, configuration, coordination, and control in a global manufacturing strategy? Describe each of these four factors.

Answer: Manufacturing is just one piece in supply chain strategy. It is preceded by sourcing inputs from suppliers and followed by distribution of the final product to consumers. The success of a global manufacturing strategy depends on four key factors: compatibility, configuration, coordination, and control. Compatibility is the degree of consistency between FDI decisions and a company's competitive strategy. Some of the strategies managers must consider include cost-minimization strategies, dependability, quality, flexibility, and innovation. Managers must also determine the configuration of manufacturing facilities. MNEs consider three basic configurations: centralized manufacturing, manufacturing facilities in specific regions, and multidomestic facilities. Coordination is the linking or integrating of activities into a unified system. The activities include everything along the global supply chain from purchasing to warehousing to shipment. Control is the measurement of performance so that companies can respond appropriately to changing conditions. Another aspect of control structure is the organizational structure.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Synthesis

Objective: 1, 2

AACSB: Reflective thinking skills

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92) How has technology altered supply chain management? Discuss some of the available tools.

Answer: Many companies use electronic data interchange (EDI) to link suppliers, manufacturers, customers, and intermediaries, especially in industries in which suppliers replenish in high volumes. In a global context, EDI has been used to link exporters with customs to facilitate quick processing. The next wave of technology affecting the global supply chain was the implementation of information technology packages known as enterprise resource planning (ERP). ERP is software that can link information flows from different parts of a business and from different geographic areas. Radio frequency ID (RFID) is a system that labels all products with an individual electronic tag that stores and transmits information about the product's origin, destination, and quantity. Electronic readers are used to scan the tags and download the information to a database that can be used with an ERP system. Another technological innovation is e-commerce, which is using the Internet to join together suppliers with companies and companies with customers. Some companies have established an extranet—the use of the Internet to link a company with outsiders. The new technology wave is private technology exchange (PTX), which is an online collaboration model that brings manufacturers, distributors, value-added resellers, and customers together to execute trading transactions and to share information about demand, production, availability, and more.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Critical Thinking

Objective: 2

AACSB: Use of information technology

93) Describe total quality management.

Answer: The Japanese approach to quality is total quality management. This process stresses three principles: customer satisfaction (which is the center of the process), employee involvement, and continuous improvements in quality. The goal of TQM is to eliminate all defects. It is a process of continuous improvement at every level of the organization. TQM implies that the company is doing everything it can to achieve quality at all stages of the process, from customer demands to product design to engineering. This continuous improvement process is known as *kaizen*, which means identifying problems and enlisting employees at all levels of the organization to help eliminate the problems.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Critical Thinking

Objective: 3

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94) What are the advantages and disadvantages of global and domestic sourcing? What role does quality play in deciding between global and domestic sourcing?

Answer: Sourcing in the home country enables companies to avoid numerous problems, including those connected with language differences, long distances and lengthy supply lines, exchange-rate fluctuations, and other problems. However, for many companies, domestic sources may be unavailable or may be more expensive than foreign sources. Companies outsource abroad to lower costs and improve quality, among other reasons. But in some ways, global sourcing is more expensive than domestic sourcing. For example, transportation and communications are more expensive, and companies may have to pay brokers and agent fees. Given the longer length of supply lines, it often takes more time to get components from abroad, and lead times are less certain. As long as foreign operations ensure high quality and contribute to innovation, companies will keep setting up operations abroad. However, after a decade-long trend of sourcing in low-cost countries like China, Japanese firms such as Honda, Canon, and Sharp are now relocating production back in their home country. These MNEs have been responding to the need for access to Japan's pool of skilled workers, as well as its proximity to engineers, parts suppliers, and decision makers. They believe that to ensure innovation and quality, close communication between product development and manufacturing is essential.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Synthesis

Objective: 3, 4

AACSB: Analytic Skills

95) What is a just-in-time inventory system? What are the implications of JIT for firms that use global sourcing?

Answer: JIT systems focus on reducing inefficiency and unproductive time in the production process to continuously improve the process and the quality of the product. The JIT system gets raw materials, parts, and components to the buyer "just in time" for use, sparing companies the cost of storing large inventories. However, the use of JIT means that parts must have few defects and must arrive on time. That is why companies need to develop solid supplier relationships to ensure good quality and delivery times if JIT is to work. Foreign sourcing can create big risks for companies that use JIT, because interruptions in the supply line can cause havoc. Quality of inventory is important, because inventory with significant amounts of defects will create problems for JIT. If the buyer has to purchase more because of expected defects, there will be not only wasted inventory but also higher carrying costs.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Synthesis

Objective: 4, 5

AACSB: Analytic Skills

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96) What are foreign trade zones? How are they used?

Answer: FTZs are areas in which domestic and imported merchandise can be stored, inspected, and manufactured free from formal customs procedures until the goods leave the zones. The zones are intended to encourage companies to locate in the country by allowing them to defer duties, pay fewer duties, or avoid certain duties completely. Sometimes inventory is stored in an FTZ until it needs to be used for domestic manufacture. FTZs can be general-purpose zones or subzones. A general-purpose zone usually is established near a port of entry, such as a shipping port, a border crossing, or an airport, and it usually consists of a distribution facility or an industrial park. A subzone usually is physically separate from a general-purpose zone but is under the same administrative structure.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Critical Thinking

Objective: 5

97) What factors complicate the international transportation of goods? How can a firm make the process more efficient?

Answer: For a firm, the transportation of goods in an international context is extremely complicated in terms of documentation, choice of carrier (air or ocean), and the decision of whether to establish its own transportation department or outsource to a third-party intermediary. Transportation is a crucial element of a logistics system. The key is to link together suppliers and manufacturers on the one hand and manufacturers and final consumers on the other. Along the way, the company has to determine its warehouse configuration. As outsourcing of both manufacturing and other supply-chain functions grows ever more popular, third-party intermediaries are essential in storing and transporting goods. They constitute an important dimension of transportation networks. To be effective, logistics companies need to implement key technologies, including communication systems, satellite tracking systems, bar-coding applications, and automated materials-handling systems.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Critical Thinking

Objective: 6

AACSB: Reflective thinking skills

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98) What has been the influence of Japan on supply chain management? In your answer, discuss the concepts of industrial clustering and quality.

Answer: Japanese keiretsus are groups of independent companies that work together to manage the flow of goods and services along the entire value chain. Toyota's highly coordinated supplier network is among the most successful and well known of the Japanese keiretsus and a good example of industrial clustering. It borders on vertical integration, because parts suppliers tend to set up shop close to Toyota's assembly operations, and Toyota usually has an ownership interest in them. The Japanese approach to quality is total quality management (TQM), a process that stresses three principles: customer satisfaction, continuous improvement, and employee involvement. Its goal is to eliminate all defects. TQM often focuses on benchmarking world-class standards, product and service design, process design, and purchasing. Executives who have adopted the zero-defects philosophy of TQM claim that long-run production costs decline as defects decline. The continuous improvement process is also known as kaizen, which means identifying problems and enlisting employees at all levels to help eliminate problems. The key is to make continuous improvement a part of every employee's daily work.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Synthesis

Objective: 3, 4

AACSB: Reflective thinking skills

99) Why are the concepts of dependability and quality important when developing a global manufacturing strategy?

Answer: Many factors besides cost must also be taken into consideration. The growing customer demand for dependability and prompt deliveries has caused companies such as Dell Computer to locate plants closer to customers rather than in low-wage areas. When a longer supply chain risks late deliveries of components or finished goods, shortening the distance can improve dependability. Quality is a major issue as well. As long as foreign operations ensure high quality and contribute to innovation, companies will keep setting up operations abroad. However, after a decade-long trend of sourcing in low-cost countries like China, Japanese firms such as Honda, Canon, and Sharp are now relocating production back in their home country. These MNEs have been responding to the need for access to Japan's pool of skilled workers, as well as its proximity to engineers, parts suppliers, and decision makers. They believe that to ensure innovation and quality, close communication between product development and manufacturing is essential.

Diff: 3

Learning Outcome: Describe how global production and logistics decisions are made

Skill: Synthesis

Objective: 1, 3

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