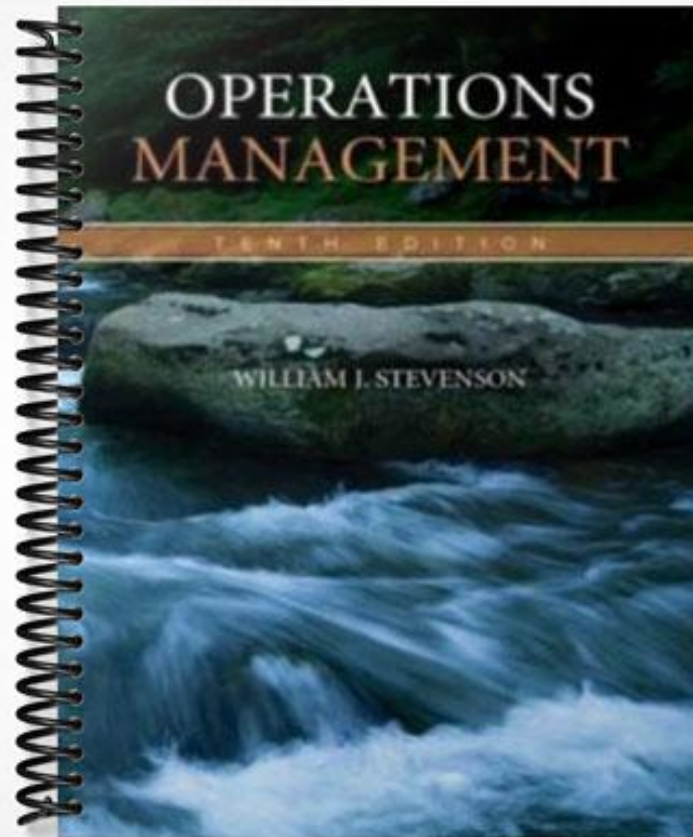


TEST BANK



Chapter 02 Competitiveness, Strategy, and Productivity

True / False Questions

1. An example of a strategic operations management decision is the choice of where to locate.

TRUE

*Difficulty: Hard
TLO: 3
Taxonomy: Knowledge*

2. An example of an operational operations management decision is inventory level management.

TRUE

*Difficulty: Hard
TLO: 4
Taxonomy: Knowledge*

3. An example of a tactical operations management decision is whether to build a new facility or to expand an existing one.

FALSE

*Difficulty: Hard
TLO: 4
Taxonomy: Knowledge*

4. An example of a tactical operations management decision is determining employment levels.

TRUE

Difficulty: Hard
TLO: 4
Taxonomy: Knowledge

5. Productivity is defined as the ratio of output to input.

TRUE

Difficulty: Easy
TLO: 7
Taxonomy: Knowledge

6. Productivity is defined as the ratio of input to output.

FALSE

Difficulty: Easy
TLO: 7
Taxonomy: Knowledge

7. Competitiveness relates to the profitability of an organization in the marketplace.

FALSE

Difficulty: Easy
TLO: 1
Taxonomy: Knowledge

8. If people would only work harder, productivity would increase.

FALSE

AACSB: MD
Difficulty: Medium
TLO: 8
Taxonomy: Knowledge

9. Tracking productivity measures over time enables managers to judge organizational performance and decide where improvements are needed.

TRUE

Difficulty: Medium
TLO: 8
Taxonomy: Knowledge

10. Productivity is directly related to the ability of an organization to compete.

TRUE

Difficulty: Easy
TLO: 7
Taxonomy: Knowledge

11. A characteristic that was once an order winner may become an order qualifier, and vice versa.

TRUE

Difficulty: Medium
TLO: 3
Taxonomy: Knowledge

12. Outsourcing tends to improve quality but at the cost of lowered productivity.

FALSE

AACSB: RT
Difficulty: Medium
TLO: 8
Taxonomy: Synthesis

13. Productivity tends to be only a very minor factor in an organizations ability to compete.

FALSE

Difficulty: Easy
TLO: 7
Taxonomy: Knowledge

14. An organization that is twice as productive as its competitor will be twice as profitable.

FALSE

AACSB: RT
Difficulty: Medium
TLO: 7
Taxonomy: Synthesis

15. National productivity is determined by averaging the productivity measures of various companies or industries.

FALSE

Difficulty: Medium
TLO: 7
Taxonomy: Knowledge

16. Wage and salary increases that are not accompanied by productivity increases tend to exert inflationary pressures on a nation's economy.

TRUE

Difficulty: Medium
TLO: 7
Taxonomy: Knowledge

17. Global competition really only applies to multi-national organizations.

FALSE

AACSB: RT
Difficulty: Medium
TLO: 3
Taxonomy: Synthesis

18. A business that is rated highly by their customers for service quality will tend to be more profitable than a business that is rated poorly.

TRUE

Difficulty: Easy
TLO: 1
Taxonomy: Knowledge

19. Services often don't fit simple yield measurements.

TRUE

Difficulty: Easy
TLO: 8
Taxonomy: Knowledge

20. A mission statement should provide a guide for the formulation of strategies for the organization.

TRUE

Difficulty: Easy
TLO: 3
Taxonomy: Knowledge

21. The hierarchy and sequence of planning and decision-making is: mission, organizational strategy, tactics, and operational decisions.

TRUE

Difficulty: Medium
TLO: 4
Taxonomy: Knowledge

22. Strategy includes both organizational and functional strategies.

TRUE

Difficulty: Easy
TLO: 5
Taxonomy: Knowledge

23. Organizational strategy should be determined without considering the realities of functional area strengths and weaknesses since they can be changed to meet our strategy.

FALSE

AACSB: RT
Difficulty: Medium
TLO: 5
Taxonomy: Synthesis

24. Mission statements should be as specific as possible regarding exactly how they will be accomplished.

FALSE

Difficulty: Medium
TLO: 3
Taxonomy: Knowledge

25. Improving efficiency will guarantee a similar improvement in productivity

FALSE

Difficulty: Medium
TLO: 8
Taxonomy: Knowledge

26. As long as we match a competitor on quality and price we will gain market share.

FALSE

Difficulty: Easy
TLO: 1
Taxonomy: Knowledge

27. Environmental scanning is a search for events or trends that present either threats or opportunities to the organization.

TRUE

Difficulty: Medium
TLO: 3
Taxonomy: Knowledge

28. Standardization has the advantage of reducing variability.

TRUE

Difficulty: Easy
TLO: 8
Taxonomy: Knowledge

29. Traditional strategies of business organizations have tended to emphasize cost minimization or product differentiation.

TRUE

Difficulty: Medium
TLO: 1
Taxonomy: Knowledge

30. The majority of our textbook deals with tactical operations that support established functional strategies.

TRUE

Difficulty: Medium
TLO: 4
Taxonomy: Knowledge

31. Quality-based strategies focus on customer satisfaction by ensuring that each product is carefully and thoroughly inspected prior to delivery to prevent sending out bad product.

FALSE

Difficulty: Hard
TLO: 1
Taxonomy: Knowledge

32. Time-based strategies focus on reducing the time required to accomplish certain activities, such as new product development or delivery to the customer.

TRUE

Difficulty: Medium
TLO: 6
Taxonomy: Knowledge

33. Functional strategies should be designed to directly support a firm's mission.

FALSE

Difficulty: Medium
TLO: 5
Taxonomy: Knowledge

34. Companies are required to use environmental scanning because of both federal and state regulations regarding environmental pollution control.

FALSE

AACSB: EU
Difficulty: Medium
TLO: 3
Taxonomy: Knowledge

35. The Balanced Scorecard is an attractive tool to use in the formation of strategy.

FALSE

Difficulty: Medium
TLO: 4
Taxonomy: Knowledge

36. One major shortcoming of the Balanced Scorecard is that it doesn't take into account sustainability issues.

TRUE

Difficulty: Medium
TLO: 4
Taxonomy: Knowledge

Multiple Choice Questions

37. Competitiveness doesn't include:

- A. Productivity
- B. Effectiveness
- C. Profitability**
- D. Operations Strategy
- E. Operations Management

AACSB: RT
Difficulty: Hard
TLO: 1
Taxonomy: Knowledge

38. Product design and choice of location are examples of _____ decisions.

- A.** strategic
- B. tactical
- C. operational
- D. customer focused
- E. design

Difficulty: Hard
TLO: 3
Taxonomy: Knowledge

39. Scheduling personnel is an example of an operations management:

- A. mission implementation
- B.** operational decision
- C. organizational strategy
- D. functional strategy
- E. tactical decision

Difficulty: Hard
TLO: 4
Taxonomy: Knowledge

40. Productivity is expressed as:

- A. output plus input
- B. output minus input
- C. output times input
- D.** output divided by input
- E. input divided by output

Difficulty: Easy
TLO: 8
Taxonomy: Knowledge

Chapter 02 - Competitiveness, Strategy, and Productivity

41. In the 1970's and 1980's in the USA, organizations concentrated on:

- A. operations strategies
- B. improving quality
- C. marketing and financial strategies**
- D. revising mission statements
- E. environmental issues

Difficulty: Medium

TLO: 8

Taxonomy: Knowledge

42. A significant reason why U.S. productivity is the highest in the world is high:

- A. agricultural productivity**
- B. manufacturing productivity
- C. labor productivity
- D. savings productivity
- E. governmental productivity

AACSB: RT

Difficulty: Hard

TLO: 1

Taxonomy: Knowledge

43. Which of the following is not a factor that affects productivity?

- A. computer viruses
- B. design of the workspace
- C. use of the Internet
- D. standardizing process
- E. wireless cellular phones**

Difficulty: Medium

TLO: 8

Taxonomy: Knowledge

Chapter 02 - Competitiveness, Strategy, and Productivity

44. Which of these factors affects productivity?

- A. methods and technology
- B. workers
- C. management
- D. a and b only
- E.** all of the above

Difficulty: Easy

TLO: 8

Taxonomy: Knowledge

45. Which of the following is not a key step toward improving productivity?

- A. developing productivity measures for all operations
- B. improving the bottleneck operations
- C. establishing reasonable goals for improvement
- D. considering incentives to reward workers
- E.** converting bond debt to stock ownership

Difficulty: Medium

TLO: 8

Taxonomy: Knowledge

46. For an organization to grow its market share, it must:

- A. advertise using multi-media
- B. lower prices
- C.** meet minimum standards of acceptability for its products or services
- D. establish an internet website
- E. broaden its mission statement

Difficulty: Hard

TLO: 1

Taxonomy: Knowledge

47. The ratio of good output to quantity of raw material input is called

- A. non-defective productivity
- B. process yield**
- C. worker quality measurement
- D. total quality productivity
- E. quantity/quality ratio

Difficulty: Hard
TLO: 7
Taxonomy: Knowledge

48. The fundamental purpose for the existence of any organization is described by its:

- A. policies
- B. procedures
- C. corporate charter
- D. mission statement**
- E. bylaws

Difficulty: Easy
TLO: 3
Taxonomy: Knowledge

49. A productivity increase in one operation that doesn't improve overall productivity of the business isn't

- A. worthwhile**
- B. trivial
- C. competence-destroying
- D. an order winner
- E. an order qualifier

Difficulty: Hard
TLO: 7
Taxonomy: Synthesis

Chapter 02 - Competitiveness, Strategy, and Productivity

50. Value added can be calculated by:
- A. average productivity gains over time
 - B. inputs divided by the outputs
 - C. outputs divided by the inputs
 - D. input plus output divided by two
 - E.** outputs minus inputs

Difficulty: Medium
TLO: 7
Taxonomy: Knowledge

51. Which of the following is true?
- A. Corporate strategy is shaped by functional strategies.
 - B. Corporate mission is shaped by corporate strategy.
 - C.** Functional strategies are shaped by corporate strategy.
 - D. External conditions are shaped by corporate mission.
 - E. Corporate mission is shaped by functional strategies.

Difficulty: Hard
TLO: 5
Taxonomy: Knowledge

52. Core competencies in organizations generally relate to:
- A. price
 - B. quality
 - C. time
 - D. flexibility
 - E.** all of the above

Difficulty: Easy
TLO: 5
Taxonomy: Knowledge

53. Which of the following is considered to be a cause of poor U.S. global competitiveness?
- A. the tendency to view labor as a cost factor to be minimized
 - B. decision-making based on short-term horizons
 - C. weaknesses in technological practice
 - D. powerful trading partners
 - E.** all of the above

AACSB: MD
Difficulty: Hard
TLO: 2
Taxonomy: Knowledge

54. Which of the following is not typically considered a cure for poor competitiveness?
- A. remove communications barriers within organizations
 - B.** minimize attention to the operations function
 - C. put less emphasis on short-term financial results
 - D. recognize labor as a valuable asset and act to develop it
 - E. improve quality

Difficulty: Hard
TLO: 2
Taxonomy: Synthesis

55. Time-based approaches of business organizations focus on reducing the time to accomplish certain necessary activities. Time reductions seldom apply to:
- A. product/service design time
 - B. processing time
 - C. delivery time
 - D. response time for complaints
 - E.** internal audits

Difficulty: Medium
TLO: 6
Taxonomy: Knowledge

56. The external elements of SWOT analysis are:

- A. strengths and weaknesses
- B. strengths and threats
- C. opportunities and threats**
- D. weaknesses and opportunities
- E. strengths and opportunities

Difficulty: Medium

TLO: 3

Taxonomy: Knowledge

57. In an assembly operation at a furniture factory, six employees assembled an average of 450 standard dining chairs per 5-day week. What is the labor productivity of this operation?

- A. 90 chairs/worker/day
- B. 20 chairs/worker/day
- C. 15 chairs/worker/day**
- D. 75 chairs/worker/day
- E. none of the above

AACSB: AS

Difficulty: Easy

TLO: 7

Taxonomy: Application

58. Which of the following is not a reason for poor performance of our organization in the marketplace?

- A. placing too much emphasis on product/service design and too little on process design
- B. failing to take into account customer wants and needs
- C. putting too much emphasis on short-term financial performance
- D. taking advantage of strengths/opportunities, and recognizing competitive threats**
- E. none of the above

Difficulty: Hard

TLO: 2

Taxonomy: Synthesis

59. The manager of a carpet store is trying to determine the best installation crew size. He has tried various crew sizes with the results shown below. Based on productivity, what crew size do you recommend?

<u>Crew Size</u>	<u>Yards Installed</u>
2	716
4	1298
3	1017
3	1002
4	1278
2	702

- A.** 2
- B. 3
- C. 4

AACSB: AS
Difficulty: Medium
TLO: 7
Taxonomy: Application

60. Which of the following is not a key factor of competitiveness?

- A. price
- B. product differentiation
- C. flexibility
- D. after-sale service
- E.** size of organization

Difficulty: Hard
TLO: 2
Taxonomy: Knowledge

61. Gourmet Pretzels bakes soft pretzels on an assembly line. It currently bakes 800 pretzels each 8-hour shift. If the production is increased to 1,200 pretzels each shift, then productivity will have increased by:

- A.** 50%
- B. 33%
- C. 25%
- D. 67%

AACSB: AS
Difficulty: Medium
TLO: 7
Taxonomy: Application

62. The weekly output of a fabrication process is shown below together with data for labor and material inputs. Standard selling price is \$125 per unit. Overhead is charged weekly at the rate of \$1,500 plus .5 times direct labor cost. Assume a 40-hour week and an hourly wage of \$16. Material cost is \$10 per foot. What is the average multifactor productivity?

Week	Output	# Workers	Material (ft)
1	392	5	2720
2	408	6	2790

- A. 1.463
- B.** 1.457
- C. 1.431

AACSB: AS
Difficulty: Medium
TLO: 7
Taxonomy: Application

63. The Balanced Scorecard is a useful tool for helping managers translate their strategy into action in the following areas:

- A. Sustainability; Flexibility; Efficiency; Technology
- B. Customers; Financial; Internal Business Processes; Learning and Growth**
- C. Customization; Standardization; Efficiency; Effectiveness
- D. The Environment; The Community; Suppliers; Other Stakeholders
- E. Strategy; Tactics; Productivity; Profitability

Difficulty: Medium

TLO: 5

Taxonomy: Knowledge

64. A firm pursuing a strategy based on customization and variety will tend to structure and manager its supply chain to accommodate more _____ than a firm pursuing a strategy based on low-cost and high-volume.

- A. Variation**
- B. Streamlined flow
- C. Quality
- D. Capacity
- E. Productivity

Difficulty: Medium

TLO: 5

Taxonomy: Application

65. Unique attributes of firms that give them a competitive edge are called _____.

- A. Functional strategies
- B. Balanced scorecards
- C. Supply chains
- D. Core competencies**
- E. Sustainable initiatives

Difficulty: Medium

TLO: 4

Taxonomy: Knowledge

66. Years ago in the overnight delivery business, providing package tracking capability gave some firms a competitive advantage. Now, all firms *must* offer this capability simply to be in this line of business. This is an example of _____ becoming _____ over time.

- A. Tactical implications; strategic
- B. Strategic implications; tactical
- C. Order winners; order qualifiers**
- D. Profitability factors; productivity factors
- E. Order qualifiers; order winners

Difficulty: Medium

TLO: 3

Taxonomy: Knowledge

67. For firms competing in worldwide markets, conducting _____ is more complex, since what works in one country or region might not work in another.

- A. Productivity analysis
- B. Environmental analysis**
- C. Strategy implementation
- D. Sustainability analysis
- E. Growth forecasting

AACSB: RT

Difficulty: Medium

TLO: 3

Taxonomy: Synthesis

Essay Questions

68. The weekly output of a production process is shown below, together with data for labor and material inputs. The standard inventory value of the output is \$125 per unit. Overhead is charged weekly at the rate of \$1500 plus .5 times direct labor cost. Assume a 40-hour week and an hourly wage of \$16. Material cost is \$10 per running foot. What is the average multi-factor productivity for this process?

Week	Output	# Workers	Material (ft)
1	412	6	2840
2	364	5	2550
3	392	5	2720
4	408	6	2790

$$Wk1: \frac{412(125)}{6(40)(16) + 2840(10) + .5(6)(40)(16) + 1500} = \frac{51500}{35660} = 1.444$$

$$Wk2: \frac{364(125)}{5(40)(16) + 2550(10) + .5(5)(40)(16) + 1500} = \frac{45500}{31800} = 1.431$$

$$Wk3: \frac{392(125)}{5(40)(16) + 2720(10) + .5(5)(40)(16) + 1500} = \frac{49000}{33500} = 1.463$$

$$Wk4: \frac{408(125)}{6(40)(16) + 2790(10) + .5(6)(40)(16) + 1500} = \frac{51000}{35160} = 1.451$$

$$\text{Avg.} = (1.444 + 1.431 + 1.463 + 1.451)/4 = 5.789/4 = 1.447$$

AACSB: AS
 Difficulty: Hard
 TLO: 7
 Taxonomy: Application

69. A company has introduced a process improvement that reduces processing time for each unit, so that output is increased by 25% with less material, but one additional worker required. Under the old process, five workers could produce 60 units per hour. Labor costs are \$12/hour, and material input was previously \$16/unit. For the new process, material is now \$10/unit. Overhead is charged at 1.6 times direct labor cost. Finished units sell for \$31 each. What increase in productivity is associated with the process improvement?

$$\text{Before: } \frac{60(31)}{5(12) + 60(16) + 1.6(5)(12)} = \frac{1860 / hr}{1116 / hr} = 1.667$$

$$\text{After: } \frac{60(1.25)(31)}{6(12) + 75(10) + 1.6(6)(12)} = \frac{2325 / hr}{937.2 / hr} = 2.481$$

$$\text{Productivity Increase} = \frac{(2.481 - 1.667) \times 100\%}{1.667} = 48.83\%$$

AACSB: AS
Difficulty: Hard
TLO: 7
Taxonomy: Application