# Chapter 1: Introduction to Supply Chain Management

## Multiple Choice

1. SCM involves the design and management of three primary flows:

a) Products, information, funds

b) Suppliers, customers, manufacturers

c) Distributors, retailers, customers

d) Logistics, operations, marketing

e) Responsiveness, reliability, relationship management

Ans: a

Response: page 3

Level: Easy

1. Stages of supply chain management include suppliers, producers, distributors, retailers, and:

a) Financial flows

b) Customers

c) Reverse logistics

d) Sustainability

e) None of the above

Ans: b

Response: page 4

Level: Medium

1. Another name for a supply chain is:

a) Supply network

b) Transportation chain

c) Value chain

d) Customer chain

e) Product chain

Ans: c

Response: page 4

Level: Easy

1. Examples of ‘upstream’ players in a supply chain include:

a) Suppliers

b) Customers

c) Retailers

d) Distribution centers

e) Outbound transportation providers

Ans: a

Response: page 4-5

Level: Easy

1. Examples of ‘focal firms’ players in a supply chain include:

a) Suppliers

b) Manufacturers

c) Retailers

d) Inbound transportation providers

e) Accountants

Ans: b

Response: page 4-5

Level: Easy

1. Examples of ‘downstream’ players in a supply chain include:

a) Suppliers

b) Manufacturers

c) Retailers

d) Inbound transportation providers

e) Accountants

Ans: c

Response: page 4-5

Level: Easy

1. Three overriding SCM activities within and between firms include:

a) Marketing, sourcing, logistics

b) Suppliers, customers, manufacturers

c) Products, information, funds

d) Coordination, information sharing, collaboration

e) Responsiveness, reliability, relationship management

Ans: d

Response: page 5-6

Level: Medium

1. The growing number and acceptance of customer returns has created an area of SCM called:

a) Order fulfillment

b) Distribution management

c) Reverse logistics

d) Sustainability

e) None of the above

Ans: c

Response: page 6

Level: Easy

1. A result of effective information flow through the supply chain is:

a) Improved coordination and collaboration between supply chain partners

b) Reduction in the amount of inventory across the supply chain

c) Reduction of the bullwhip effect

d) Compression of the supply chain from a time standpoint

e) All of the above

Ans: e

Response: page 6

Level: Medium

1. An accelerated flow of funds through the supply chain can improve a firm’s profitability by:

a) Increasing interest rates

b) Customers cannot be invoiced more quickly

c) Creating a positive cash flow provides financial opportunity

d) Increasing working capital needs

e) None of the above

Ans: c

Response: page 6

Level: Medium

1. In a simplified supply chain, financial flow is often viewed as flowing \_\_\_\_\_ in the supply chain as payment for products and services received.

a) forward

b) in parallel

c) backwards

d) forwards and backwards

Ans: c

Response: page 6

Level: Easy

1. Distortion and inaccurate information as it moves from the retailer back through the supply chain is known as:

a) Early supplier involvement

b) Bullwhip effect

c) Supply chain compression

d) Reverse logistics

e) None of the above

Ans: b

Response: page 7

Level: Easy

1. SCM is a dynamic process and involves the constant flow of all of the following *except* which between different entities of the supply chain?

a) Information

b) Products

c) Funds

d) Raw materials

e) All of the above

Ans: d

Response: page 8

Level: Easy

1. An example of intraorganizational integration is:

a) Marketing sharing promotion plans with operations

b) Independent retailer sharing point-of-sale data with manufacturer

c) Supplier informing manufacturer of a component defect

d) Retailers making sure returns flow back to the manufacturer

Ans: a

Response: page 11

Level: Easy

1. An example of intraorganizational integration is:

a) Operations informing logistics of production plans

b) Independent retailer sharing point-of-sale data with manufacturer

c) Supplier informing manufacturer of a component defect

d) Purchasing making sure the organization meets it US purchasing quotas

e) Operations focusing on improving the efficiency of the operating system

Ans: a

Response: page 11

Level: Easy

1. The primary role of marketing in an organization is to link the organization to its:

a) Suppliers

b) Operations

c) Customers

d) Finance

e) None of the above

Ans: c

Response: page 11

Level: Easy

1. Challenges to developing a systems thinking viewpoint in an organization include:

a) Competing goals and incentives

b) Segmented organizational structure

c) Lack of information sharing

d) ‘Siloed’ decision-making

e) All of the above

Ans: e

Response: page 11

Level: Medium

1. Why have partnerships and alliances across enterprises become so important to SCM?

a) Technology is expensive

b) Companies want external supply chain partners to hold more risk

c) “Early supplier involvement” is simple to implement

d) Collaboration enables long-term viability and success in a competitive global environment

e) a and c

Ans: d

Response: page 11-12

Level: Medium

1. The primary difference between logistics and SCM is:

a) SCM is a more popular term

b) Logistics is more strategic in nature

c) There is no difference

d) SCM takes a more strategic and managerial focus

e) Logistics is more complex

Ans: d

Response: page 12

Level: Medium

1. Logistics consists of what?

a) Collaboration between supply chain partners in a strategic effort to achieve superior competitiveness.

b) Interfacing with purchasing to make sure the correct components reach the production floor.

c) The tasks involved in moving and positioning inventory throughout the supply chain.

d) Keeping executives up-to-date with the manufacturing operations.

e) All of the above

Ans: c

Response: page 12

Level: Easy

1. Factors driving the growth of SCM include:

a) Better intra-organizational coordination

b) Customer sophistication

c) Early supplier involvement

d) Reverse logistics capabilities

e) Improved relationship management between firms

Ans: b

Response: page 13

Level: Medium

1. Interest in SCM has rapidly grown over the years, as it has proven to be a necessary ingredient for successful global competition. A number of forces have contributed to this trend. Which of the following is not one of those forces?

a) Companies have realized large cost savings by working with their suppliers to consolidate shipments and by coordinating with shipping companies.

b) Companies have discovered the large magnitude of savings that can be achieved by planning and managing their supply chain more effectively.

c) Advances in information technologies have provided access to comprehensive data from all components of the supply chain.

d) Improvement in transportation methods has led to a reduction in transportation costs, while significantly increasing speed of delivery to multiple locations.

e) All of the above

1. How has greater customer affluence increased the importance of SCM?

a) Customers demand lower cost goods from China

b) The internet empowered consumers with information

c) Customers wanted more standardized, mass-produced products

d) Customers wanted wider product choices

e) All of the above

Ans: d

Response: page 13

Level: Medium

1. A demand-driven supply chain is focused on which SCM characteristic:

a) Relationship management

b) Collaboration

c) Coordination

d) Responsiveness

e) Risk management

Ans: d

Response: page 14

Level: Difficult

1. Characteristics of a competitive supply chain include:

a) Outsourcing, reliability, technology

b) Globalization, innovation, reliability

c) Relationship management, finance, early supplier involvement

d) Affluent customers, technology, transportation

e) Reliability, relationship management, responsiveness

Ans: e

Response: page 14-15

Level: Medium

1. Supply chain visibility increases supply chain reliability through:

a) Shared understanding of real-time demand data by all supply chain partners

b) Increasing variability across the supply chain

c) Improved relationship management

d) Understanding customer needs more quickly

e) Putting more pressure on suppliers

Ans: a

Response: page 15

Level: Medium

1. The globalization trend presents numerous benefits to SCM including:

a) Removes distance barrier between markets/consumers

b) Consumers have greater product choices

c) More supplier choices

d) Cost savings

e) All of the above

Ans: e

Response: page 16

Level: Easy

1. When a firm is focusing on its core competencies, it is engaging in which trend:

a) Sustainability

b) Financial supply chain

c) Lean initiatives

d) Risk management

e) Outsourcing

Ans: e

Response: page 16

Level: Easy

1. Postponement is an effective strategy for some firms because it:

a) Is relatively simple and inexpensive to implement

b) Allows for local product customization

c) Increases supplier involvement

d) Decreases the need for relationship management

e) Requires little technology

Ans: b

Response: page 19-20

Level: Difficult

1. Necessary efforts to improve supply chain security present new challenges to firms including:

a) Regulation/compliance requirements

b) Increased transport time and costs

c) Shorter lead times

d) Decreased need for relationship management

e) a and b

Ans: e

Response: page 21

Level: Medium

1. Sustainable/green initiatives can be beneficial to firms in the following ways:

a) Enhance supplier relationships/supply availability

b) Increased regulation/compliance requirements

c) Create efficiencies and cost savings

d) Decreases need for relationship management

e) a and c

Ans: e

Response: page 21

Level: Medium

1. Key trends in SCM include:

a) Outsourcing

b) Advancements in IT

c) Use of big data analytics

d) Additive manufacturing

e) All of the above

Ans: e

Response: page 16-22

Level: Easy

## True/False

1. Supply chain management (SCM) is fairly simple and straight-forward.

Ans: False

Response: page 3

Level: Medium

1. A supply chain is defined as all the activities that occur within a firm to produce a product or service.

Ans: False

Response: page 3

Level: Medium

1. A supply chain is the network of all entities involved in producing and delivering a finished product to the next producer in the network.

Ans: False

Response: page 3

Level: Medium

1. The flows of products, information, and funds, are all important in an effective supply chain.

Ans: True

Response: page 3-4

Level: Easy

1. In an effective supply chain, every activity should contribute to the total value of the firm’s cost or service position.

Ans: True

Response: page 4

Level: Medium

1. A supply chain is often called a value chain.

Ans: True

Response: page 4

Level: Medium

1. The best way to think about supply chains is as a linear chain of players from suppliers to customers

Ans: False

Response: page 4-5

Level: Medium

1. An example of an ‘upstream’ part of the supply chain is distribution of finished goods to the retailer.

Ans: False

Response: page 4-5

Level: Medium

1. An example of an ‘upstream’ part of the supply chain is transportation of raw materials to the manufacturer.

Ans: True

Response: page 4-5

Level: Easy

1. First tier suppliers are always more important to a manufacturer than second tier suppliers.

Ans: False

Response: page 4-5

Level: Difficult

1. Coordination involves the effective movement of goods and services through the supply chain; collaboration involves the effective relationships between supply chain members.

Ans: True

Response: page 5-6

Level: Easy

1. It could be argued that, of the three overriding SCM activities, *information sharing* is the enabler of the other two activities.

Ans: True

Response: page 5-6

Level: Medium

1. SCM involves coordinating the movement of goods and services through the supply chain.

Ans: True

Response: page 6

Level: Easy

1. SCM requires sharing relevant information among members of the supply chain.

Ans: True

Response: page 6

Level: Easy

1. SCM requires collaboration between supply chain members.

Ans: True

Response: page 6

Level: Easy

1. Returned goods flow backwards through the supply chain, from point-of-sale back to suppliers. This is called the reverse supply chain.

Ans: False

Response: page 6

Level: Easy

1. Funds can flow both ways in a supply chain.

Ans: True

Response: page 6

Level: Medium

1. A shorter order cycle time causes firms to be less profitable.

Ans: False

Response: page 6

Level: Medium

1. One of the most effective ways to combat the bullwhip effect is for firms to share point-of-sale data from retailers throughout the supply chain

Ans: True

Response: page 7

Level: Easy

1. The only objective of a supply chain is to deliver a product or service at the lowest cost possible.

Ans: False

Response: page 7-8

Level: Medium

1. The final customer is the driving force of the supply chain.

Ans: True

Response: page 8

Level: Easy

1. The end customer plays a greater role in the manufacturing supply chain than in a service supply chain.

Ans: False

Response: page 8-9

Level: Medium

1. Service supply chains tend to be considerably longer than manufacturing supply chains; although, with fewer suppliers.

Ans: False

Response: page 9

Level: Easy

1. Public relations is the function responsible for linking the organization to its customers and identifying what customers want in products and services. It is the function that interfaces with the customer.

Ans: False

Response: page 10

Level: Easy

1. Operations ensures that the exact products customers want are produced efficiently and in a cost-effective manner.

Ans: True

Response: page 10

Level: Easy

1. Operations is exclusively concerned with producing what the customer wants and delivering it to where the customer wants it. Being cost-effective is a function of marketing.

Ans: False

Response: page 10

Level: Easy

1. Sourcing is the function responsible for linking the organization to its suppliers and ensuring an efficient supply of materials.

Ans: True

Response: page 10

Level: Easy

1. Distribution is responsible for moving and positioning inventory throughout the supply chain and ensuring that the right products are delivered to the right place at the right time.

Ans: False

Response: page 10

Level: Medium

1. Sourcing is also known as purchasing.

Ans: True

Response: page 11

Level: Easy

1. Logistics is an integrative function that has a systems-wide view of the organization.

Ans: True

Response: page 11

Level: Easy

1. Logistics is the part of SCM that is concerned with managing the flow of inventory.

Ans: True

Response: page 12

Level: Easy

1. SCM has grown rapidly as a business focus since the 1990s primarily because of globalization.

Ans: True

Response: page 13

Level: Medium

1. Interest in SCM has slowly but steadily grown over the years, as it has proven to be a necessary ingredient for successful global competition.

Ans: False

Response: page 13

Level: Medium

1. One factor driving the growth of SCM has been more powerful computers.

Ans: True

Response: page 13

Level: Easy

1. One factor driving the growth of SCM has been the Internet.

Ans: True

Response: page 13

Level: Medium

1. There are three key characteristics of a competitive supply chain: responsiveness, reliability, and low cost (high value).

Ans: False

Response: page 14

Level: Medium

1. Becoming a demand-driven supply chain means that the company is focused on responsiveness.

Ans: True

Response: 14

Level: Medium

1. An important characteristic of competitive supply chains is their focus on arm’s-length adversarial relationships to relentlessly reduce costs.

Ans: False

Response: 15

Level: Medium

1. Outsourcing is hiring a third party in another country to perform a set of tasks for a fee.

Ans: False

Response: 16

Level: Medium

1. China is now the leading country in offshore business services.

Ans: False

Response: 16

Level: Medium

1. Outsourcing is a required strategy and is a characteristic of all competitive supply chains.

Ans: False

Response: page 16-17

Level: Medium

1. Outsourcing is a trend that is only suitable for manufacturing businesses.

Ans: False

Response: page 16-17

Level: Medium

1. A core competency is an activity within a firm that provides value or competitive advantage.

Ans: True

Response: page 16-17

Level: Easy

1. Enterprise resource planning (ERP) software are large software programs used for logistics and distribution planning.

Ans: False

Response: page 17

Level: Easy

1. It could be argued that information technology has been the most impactful trend in the advancement of SCM.

Ans: True

Response: page 17-18

Level: Medium

1. Big data analytics has had some impact on SCM but not a major impact.

Ans: False

Response: page 18

Level: Easy

1. Big data refers to large datasets whose size is so large that the quantity can no longer fit into an Excel worksheet.

Ans: False

Response: page 18

Level: Easy

1. Analytics is applying math and statistics to large datasets.

Ans: True

Response: page 18

Level: Easy

1. Few areas of business have been transformed by big data analytics.

Ans: False

Response: page 18

Level: Easy

1. There is no effective strategy developed yet for global companies to control costs while catering to local market tastes.

Ans: False

Response: page 19-20

Level: Medium

1. A requirement to achieving ever-leaner supply chains is collaboration with supply chain partners.

Ans: True

Response: page 20

Level: Easy

1. Postponement is where completion of the final product is postponed until after the product is sold to the consumer.

Ans: False

Response: page 20

Level: Medium

1. Global supply chains have reduced most companies’ exposure to risk.

Ans: False

Response: page 20

Level: Medium

1. Pursuing a lean supply chain strategy reduces a firm’s supply chain risk.

Ans: False

Response: page 20

Level: Difficult

1. “Green” supply chain strategies need to be embraced across firms in the supply chain in order to be most effective.

Ans: True

Response: page 21

Level: Easy

1. The only benefit to firms of ‘green’ supply chain initiatives is lower costs.

Ans: False

Response: page 21

Level: Medium

1. Suppliers are not overly important in a firm’s innovation initiatives.

Ans: False

Response: page 21-22

Level: Medium

## Essay

1. Provide an example of the end-to-end supply chain flow of a product of your choice.

Ans: Student should describe a sequential flow that includes the core stages of a supply chain: suppliers, producers, distributors, retailers, and customers.

Response: page 3-5

Level: Medium

1. Explain the concept of a *value chain* and why the concept is important to SCM.

Ans: A firm’s competitive advantage is derived from each activity that a firm performs, and these activities must provide value to the end customer and/or to the firm, typically through greater service or lower costs. Activities performed along the supply chain that do not meet these criteria should be eliminated or improved.

Response: page 4

Level: Difficult

1. How can an accelerated flow of funds throughout the supply chain improve firm profitability?

Ans: As customers’ orders are fulfilled more quickly, firms are able to invoice customers and receive payment sooner than the firm is required to pay its suppliers. The resulting positive cash flow provides significant financial opportunity/benefit for firms.

Response: page 6

Level: Difficult

1. Briefly describe the major activities included in SCM.

Ans: Coordination: SCM involves coordinating the movement of goods and services through the supply chain, from suppliers to manufacturers to distributors to final customers; it also includes movement of goods back up the supply chain, as products may be returned.

Information Sharing: SCM requires sharing relevant information among members of the supply chain.

Collaboration: SCM requires collaboration between supply chain members so that they jointly plan, operate, and execute business decisions as one entity.

Response: page 6

Level: Medium

1. Briefly describe the bullwhip effect.

Ans: It has been observed that fluctuation and distortion of information increases as it moves up the supply chain, from retailers, to manufacturers, and to suppliers. This is called the bullwhip effect, as inaccurate and distorted information travels up the chain like a bullwhip uncoiling.

Response: page 7

Level: Medium

1. Why is the role of the customer even greater in driving the service supply chain than it is in a manufacturing supply chain?

Ans: In a service industry such as healthcare or banking, the customer interacts directly with the provider. Individual customer behavior can be highly variable and thus impact the resulting ‘delivery’ of the service in aspects such as quality, timeliness, accuracy, etc.

Response: page 8-9

Level: Difficult

1. Marketing, operations, sourcing, and logistics are important components of SCM. Briefly describe each of these.

Ans: Marketing is the function responsible for linking the organization to its customers and identifying what customers want in products and services. Operations ensures that the exact products customers want are produced efficiently and in a cost-effective manner. Sourcing is the function responsible for linking the organization to its suppliers and ensuring an efficient supply of materials. Logistics is responsible for moving and positioning inventory throughout the supply chain and ensuring that the right products are delivered to the right place at the right time.

Response: page 10

Level: Easy

1. Describe the difference between SCM and logistics.

Ans: SCM is strategic and managerial, focusing on relationships and processes across firms; logistics is tactical and specifically involves moving and positioning inventory throughout the supply chain. Logistics is vital to SCM as it is a key supporting function.

Response: page 12

Level: Easy