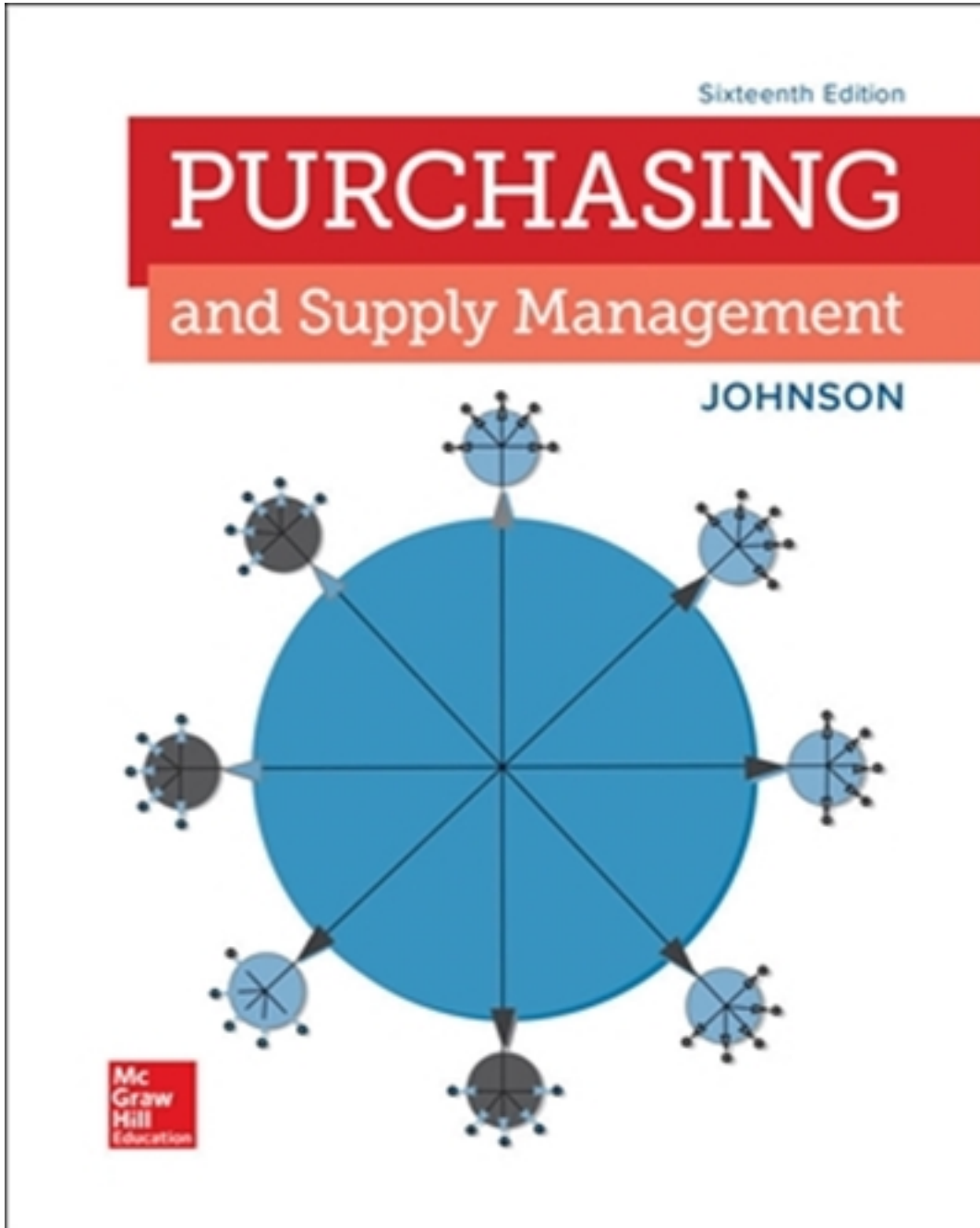


# Test Bank for Purchasing and Supply Management 16th Edition by Johnson

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# Test Bank

***Purchasing and Supply Management, 16e (Johnson)***  
**Chapter 2 Supply Strategy**

- 1) Linking current and future needs with current and future markets is the primary focus of:
- A) internal users of purchased goods and services.
  - B) each individual buyer.
  - C) an effective supply strategy.
  - D) an effective marketing strategy.
  - E) an effective organizational strategy.

Answer: C

Difficulty: 1 Easy

Topic: Levels of strategic planning

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

- 2) If organizational objectives and supply objectives are incongruent:
- A) it will be easy to translate organizational objectives into supply objectives.
  - B) it will be difficult to translate organizational objectives into supply objectives.
  - C) it is likely that many organizational resources will be made available to supply.
  - D) it will be easy to define quality, quantity, price, delivery, and service goals.
  - E) it will be easy to convey objectives to suppliers.

Answer: B

Difficulty: 2 Medium

Topic: Levels of strategic planning

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

3) Strategies designed to make available the knowledge and capabilities of supply chain members to others in the buying organization are called:

- A) environmental-change strategies.
- B) assurance-of-supply strategies.
- C) risk-management strategies.
- D) cost-reduction strategies.
- E) supply-chain-support strategies.

Answer: E

Difficulty: 1 Easy

Topic: Strategic planning in supply management

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

4) The answer to the question, "How much to buy?" depends on:

- A) the level of uncertainty throughout the supply chain.
- B) the relative power of each supply chain member.
- C) decisions made inside the buying organization.
- D) decisions made inside the first tier supplier.
- E) trends in inventory management.

Answer: A

Difficulty: 2 Medium

Topic: Strategic components

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

5) Supply strategies that are designed to exploit market opportunities and organizational strengths to give the buying organization an advantage in the marketplace are known as:

- A) risk-management strategies.
- B) competitive-edge strategies.
- C) assurance-of-supply strategies.
- D) cost-reduction strategies.
- E) supply-chain-support strategies.

Answer: B

Difficulty: 1 Easy

Topic: Strategic planning in supply management

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

- 6) Strategic planning can be defined as:
- A) how each functional area will achieve its specific goals and objectives.
  - B) an action plan to achieve specific operational and tactical goals.
  - C) a procedure for allocating resources to appropriate functions in the organization.
  - D) taking big risks to maximize current period benefits.
  - E) an action plan to achieve specific long-term goals and objectives.

Answer: E

Difficulty: 2 Medium

Topic: Strategic planning

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

- 7) To effectively manage supply risks, the supply manager must:
- A) inform the corporate risk officer of a potential risk, await instructions, and implement the directive.
  - B) seek input from senior executives in other functional areas, propose a risk mitigation plan, and await instructions from senior management.
  - C) review the commodity strategy, revise it as needed, and implement the strategy revision.
  - D) identify and classify risks, assess the potential impact, and develop a risk mitigation strategy.
  - E) confer with the chief financial officer (CFO), provide all requested data, and implement the CFO's plan.

Answer: D

Difficulty: 3 Hard

Topic: Risk management

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

8) Linking supply strategy to corporate strategy is:

- A) non-essential in most types of organizations.
- B) essential in all organizations, and many lack the mechanisms to link them.
- C) essential in all organizations, and most have the mechanisms to link them.
- D) essential only in manufacturing, and most have the mechanisms to link them.
- E) essential only in the service sector, and most lack the mechanisms to link them.

Answer: B

Difficulty: 2 Medium

Topic: Strategic planning in supply management

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

9) Normally, most organizational objectives can be summarized under four categories:

- A) marketing, management, financial, and operations.
- B) survival, market share, earnings per share, and return on investment.
- C) profitability, return on investment, liquidity, and earnings per share.
- D) survival, growth, financial, and sustainability.
- E) growth, maintenance, new product development, and asset management.

Answer: D

Difficulty: 1 Easy

Topic: Levels of strategic planning

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

10) Three major challenges exist when setting supply objectives and strategies:

- A) effectively interpreting corporate and supply objectives, selecting appropriate actions to achieve objectives, and integrating supply information into organizational strategies.
- B) identifying internal stakeholders, building consensus among these stakeholders, and selling top management on the results.
- C) adopting efficient electronic transaction systems, designing effective strategic supply processes, and increasing internal compliance with both.
- D) hiring professionals educated specifically in supply management, providing them with technical expertise, and developing leadership skills for the long-term.
- E) emphasizing strategic cost management, involving key suppliers early in the process, and measuring the reduction in total cost of ownership.

Answer: A

Difficulty: 2 Medium

Topic: Major challenges in setting supply objectives and strategies

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

11) When developing supply strategies, the supply manager must determine:

- A) what to make or buy.
- B) what to insource or outsource.
- C) what standard items and what customized items will be acquired.
- D) what to make or buy and what to insource or outsource.
- E) what to make or buy, what to insource or outsource, and what standard items or what customized items will be acquired.

Answer: E

Difficulty: 3 Hard

Topic: Strategic components

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

12) Organizational objectives and supply objectives typically are expressed:

- A) differently, providing the supply manager multiple opportunities to tap into organizational resources.
- B) the same (survival, growth, financial, and environmental), making it easy to translate organizational objectives into supply objectives.
- C) differently, making it difficult to translate organizational objectives into supply objectives.
- D) for the same factors (quality, quantity, price, delivery and service), but long-term at the organizational level and short-term at the supply level.
- E) in ways that are very specific to the organization, making it difficult to convey objectives to suppliers.

Answer: C

Difficulty: 3 Hard

Topic: Levels of strategic planning

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

13) Which one of the following is NOT one of the six major supply strategy areas:

- A) competitive-edge strategies.
- B) environmental-change strategies.
- C) risk-management strategies.
- D) new-product development strategies.
- E) cost-reduction strategies.

Answer: D

Difficulty: 1 Easy

Topic: Strategic planning in supply management

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

14) The key question in strategic supply management is:

- A) How can the supply manager develop a network of suppliers that contribute to the supply department's goals?
- B) How can first tier suppliers contribute to the buying organization's objectives and strategy?
- C) How can supply and supply chains contribute effectively to organizational objectives and strategy?
- D) How can first, second, and subsequent tiers of suppliers contribute to the buying organization's objectives and strategy?
- E) How can supply strategy be kept separate from, but equal to, organizational strategy?

Answer: C

Difficulty: 1 Easy

Topic: Strategic planning in supply management

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

15) Supply managers may be able to provide information to identify risks to the organization, and can develop strategies to mitigate those risks.

Answer: TRUE

Difficulty: 2 Medium

Topic: Risk management

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

16) Assurance-of-supply strategies must consider changes in supply but not demand.

Answer: FALSE

Difficulty: 2 Medium

Topic: Strategic planning in supply management

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic



17) By identifying and eliminating the causes of uncertainty and risk in the supply chain, the supply manager may be able to reduce the needed inventories and therefore buy a lower quantity.

Answer: TRUE

Difficulty: 2 Medium

Topic: Strategic components

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

18) The most fundamental question facing an organization is whether to buy domestically or globally.

Answer: FALSE

Difficulty: 3 Hard

Topic: Strategic planning

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

19) Some operational risks in a supply chain are beyond the control of the purchaser or supplier, and some are within their control.

Answer: TRUE

Difficulty: 1 Easy

Topic: Risk management

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

20) There is a growing emphasis on purchase transactions and less on acquisition processes.

Answer: FALSE

Difficulty: 1 Easy

Topic: Strategic components

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

21) The key decisions and plans in corporate strategy address: What business are we in and how will we allocate resources among these businesses?

Answer: TRUE

Difficulty: 1 Easy

Topic: Levels of strategic planning

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

22) Whether to make or buy is a fundamental question facing most organizations.

Answer: TRUE

Difficulty: 2 Medium

Topic: Strategic components

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

23) The trend is to decentralize risk management, and allow each function to assess its risk exposure and develop strategies to best manage functional risks.

Answer: FALSE

Difficulty: 2 Medium

Topic: Risk management

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

24) The three levels of strategic planning are corporate, business unit, and functional.

Answer: TRUE

Difficulty: 1 Easy

Topic: Levels of strategic planning

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

25) There is increased emphasis on purchase transactions and less on strategic supply management processes.

Answer: FALSE

Difficulty: 2 Medium

Topic: Strategic components

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

26) Environmental-change strategies are designed to anticipate and recognize shifts in the economy, the organization, people, laws, governmental regulations, and systems availability.

Answer: TRUE

Difficulty: 2 Medium

Topic: Strategic planning in supply management

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

27) Globalization of supply chains has increased the complexity of purchasing responsibilities and made identification of risk easier.

Answer: FALSE

Difficulty: 2 Medium

Topic: Risk management

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

28) Supply chain sustainability performance must comply with legal obligations *and* meet the values and standards of the organization's stakeholders, including employees, shareholders, and customers.

Answer: TRUE

Difficulty: 1 Easy

Topic: Levels of strategic planning

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Gradable: automatic

29) If a supply manager identifies and eliminates the causes of uncertainty and risk in the supply chain, the organization may be able to reduce the level of inventory.

Answer: TRUE

Difficulty: 3 Hard

Topic: Strategic components

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Gradable: automatic